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***Financial Markets of Former Union Republics Reviewed**

954E1181A Moscow BIZNES I BANKI in Russian Jun 95 No 26, pp 5-6

[Article by Igor Doronin, advisor of the Moscow Interbank Currency Exchange: "The Financial Markets of the Near Abroad Countries"]

[FBIS Translated Text] **In serving enterprises and organizations which have business relations with partners from the near abroad, Russian banks should have a good idea of the situation which is forming on the financial markets of the former Soviet republic states. In response to a request from the editors, Igor Doronin, advisor of the Moscow Interbank Currency Exchange, tells about this.**

With the introduction in 1993-1994 of national currencies in the new states — the former republics of the USSR — the prerequisites arose for the formation of national financial markets, and for following an independent financial, monetary-credit and currency policy. Given all the national specifics, these markets have much in common:

They have arisen and are developing as domestic markets. Only residents of these states who meet the established requirements are admitted to operations;

The markets operate under vigilant state control, with strict administrative regulation of operations, which leads to the existence, along with the official financial markets, of quasi-legal ones. This can be seen in the example of the currency markets of most of the states, which have introduced a plural system of currency exchange rates formed on various parallel currency markets;

The financial markets in these countries play a very limited role in distributing and redistributing currency, credit and financial resources — in fact, the overwhelming majority of them continue to be distributed along centralized channels;

The extreme instability of the operations, engendered by the overall financial instability, high rate of inflation, flight of capital and dollarization of the economy;

The financial markets of these countries are distinguished by structural lack of development and the predominance of currency operations over those such as interbank loans and securities transactions.

This is the way the financial-economic situation of the states of the former USSR (excluding the Baltic countries) looked in 1994.

	Decreased GDP (%) 1994	Average infl. rates (%)		State budget deficit in % of GDP		Reduction in official exchange rate of national currency in 1994
		1994	1995*	1994	1995*	
Azerbaijan	22-24	28	4	21	5	by factor of 35.3
Armenia	2-4	18	5	24	12	by factor of 5.4
Belorussia	20-22	23	6	11	7	by factor of 10
Georgia	30-32	60	5	—	0	by factor of 15.5
Kazakhstan	25-27	12	6	5	4	by factor of 7.2
Kyrgyzstan	26-28	8	3	8	6	by factor of 1.3
Moldova	29-31	15	6	5	3	by factor of 1.17
Tajikistan	15-17	7	—	—	—	by factor of 2.9
Turkmenistan	25-27	18	—	—	—	by factor of 5
Uzbekistan	8-10	18	6	8	6	by factor of 25
Ukraine	20-22	20	6	9	7	by factor of 8.6

* Predicted

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The difficult financial-economic situation of the countries named in 1994 made them step up efforts for economic reform, and it may be expected that in 1995 the situation on their financial markets will change substantially. At the end of 1994 and beginning of 1995, most of these states took the path of active market reforms, expressed in the liberalization of domestic prices, implementation of measures to combat inflation and stabilize national currencies and acceleration of the privatization process. It can be expected that the development of financial markets will proceed along directions such as weakening administrative regulation of operations; developing markets for interbank loans and securities, particularly state; forming an economically substantiated level of the market currency exchange rate and interest rates on bank loans. The development of privatization will make it possible to begin forming a market of corporate securities.

The first months of 1995 showed that in most of the near abroad states, the financial markets have quite favorable prospects for development, if the governments succeed in holding a course toward achieving financial stability.

Shifts on the currency markets are the most noticeable. Due to the rigid domestic financial and monetary-credit policy and the slowing down of the inflation rates, the currency exchange rates are stabilizing. Signs of this are noted on the currency markets of Ukraine, Belarus, Moldova, Armenia and other countries. As stabilization increases, so too will the role of the official currency market, the weakening of state intervention in the conducting of currency operations will become possible, and the policy with respect to forming a truly official exchange rate will make it possible to get away from the existence of parallel currency markets and multiple currency exchange rates.

The most probable change of those to be expected on the domestic currency markets of these states in 1995 should be considered a lessening of the role of the "ruble" segment of the currency market, through increasing the volume of operations with SKV [freely convertible currency]. The reason for this will be the expansion of economic relations with the far abroad and a lessening of the role of trade-economic ties with Russia.

Armenia

Armenia's national currency — the dram — was put into circulation in November 1993. At the time it was introduced, the exchange rate was 14.7 drams to $1. The official exchange rate of the dram to the dollar and to the Russian ruble is established on the Yerevan Interbank Currency Exchange. The National Bank of Armenia (NBA) regulates the formation of the exchange rate.

Beginning in 1994, 50 percent of the export currency receipts of an enterprise had to be transferred to the stabilization fund at the official exchange rate. Because of the considerable overstating of the official exchange rate, the deviation from the official sale of export currency receipts assumed a mass nature. A multiplicity of currency exchange rates has formed in the country. Commercial banks establish their own exchange rates, which deviate considerably from the official one. With respect to turnover, in 1994 the "black" currency market exceeded the official one by a factor of five.

NBA intends to orient its currency policy toward Western currency. In the words of an NBA representative, "the Russian ruble is a phenomenon against which we must struggle, and which must be crowded out of domestic monetary turnover." In 1995 there were cases of exchange centers refusing to accept the Russian ruble.

Armenia's monetary circulation is characterized by a high level of dollarization. According to some estimates, the sum of the dollar assets is triple that of the volume of the monetary mass in the national currency. Up to the end of the year, the government of Armenia intends to continue a policy of rigid financial stabilization. In the second half of 1995, it intends to stop giving enterprises grants and subsidies, to maintain the positive value of the refinancing rate and to keep the growth of the monetary mass under strict control.

Azerbaijan

The country's national currency — the manat — was put into circulation from January 1994. The official exchange rate was determined in this way: 10 Russian rubles to 1 manat and 118 manat to $1. The exchange rate to SKV was determined through the cross-exchange rate of the Russian ruble to SKV according to the results of trading on the MMVB [Moscow Interbank Currency Exchange]. The official exchange rate remained unchanged until June 1994, when it was already 1,000 manat for $1 on the black market.

The policy of a fixed official exchange rate for the manat paralyzed the activity of the Baku Currency Exchange, which ceased operation for a while. The requirement that 60-70 percent of the export currency receipts be sold to the republic's currency fund and 25 percent to the reserve currency fund at the official exchange rate was not fulfilled. Concealment of export currency receipts, the escape of currency from the country and black market operations began on a wide scale. In June 1994, the National Bank of Azerbaijan (NBA) lowered the exchange rate of the manat, bringing it closer to

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the market rate. The requirement that part of the export currency receipts must be sold was changed. According to the new statute, enterprises were obliged to sell 65 percent of the currency receipts from export to the republic's unified currency fund, and 35 percent — on the Baku Interbank Currency Exchange. In July of last year, the Baku Interbank Currency Exchange resumed operation.

Last year the manat was strongly devaluated. Proposed this year are: a sharp reduction in the inflation rate, implementation of full liberalization of prices, alignment of domestic and foreign trade prices for energy carriers, abolishing of export and import privileges for enterprises, the start of distribution of centralized credit resources on a competitive basis and the beginning of privatization.

Azerbaijan's currency market was normalized in the first months of 1995. Beginning in April, the Baku Interbank Currency Exchange turned to daily trading. The exchange rate of the manat stabilized. The country's currency reserves at the end of the first quarter of 1995 were $70 million, which is considered sufficient to support the stability of the manat. It is still too early to talk about full liberalization of the currency market. Exchange centers established a margin of 5 percent between the currency exchange rate and the dollar exchange rate. The process of financial stabilization is proceeding against the background of a sharp slump in industrial production. In the 1st quarter of this year it decreased by 28 percent, as compared with the analogous period in 1994.

It is worth noting that Azerbaijan does not have any economic agreements with a single one of the CIS states at this time.

The Baltic Countries

The Baltic countries were the first of the "emigrants" from the USSR to take the path of achieving stabilization. Their financial, monetary-credit and currency policy was aimed at this. For Estonia and Lithuania this was expressed in the organization of their own monetary circulation, on the principles of "currency control," which includes:

Establishing the rigid tying of the exchange rate of the national currency to foreign currency or the currency "basket";

A 100-percent currency guarantee of the cash circulation and deposits of commercial banks in the Central Bank;

Unconditional conversion, by the Central Bank, of national currency into foreign and vice-versa at a fixed exchange rate, as well as unconditional conversion between banks and between banks and clients;

Prohibiting the granting of loans by the Central Bank to the government and arbitrary granting of loans to commercial banks by the Central Bank.

Although Latvia did not formally announce that its monetary circulation was based on the principles of "currency control," its financial and monetary-credit policy differs little from the policy followed by its neighbors. In June 1994, the Latvian government notified the IMF that it was taking on the obligations resulting from Article VIII of the IMF Charter. According to these obligations, Latvia must not introduce restrictions on current currency operations, conclude discriminatory payment agreements or introduce the practice of multiple currency exchange rates.

In 1994 the Baltic states registered a record low, among the states of the former USSR, for inflation rates: in Latvia — 26.3 percent, in Lithuania — 45.1 percent and in Estonia — 22 percent. A further slowing of inflation rates is expected in 1995. These countries have paid dearly for financial stabilization, passing through a deep economic crisis (although as a result, it rid them of unprofitable and low-profit enterprises), and in 1995 took the path of a gradual increase in production.

Among the immediate problems now facing the Baltic countries is that of developing financial markets, first and foremost a market for medium-and long-term capital. By resorting to a policy of financial stabilization, these countries avoided the hypertrophied development of the domestic currency market observed in other former republics of the USSR. The currency markets of these states, represented by an interbank currency market, mainly fulfill the functions of financing and serving foreign economic activity. There are no currency exchanges, indeed, they are not necessary under the conditions of a fixed currency exchange rate. This makes it possible to direct domestic financial resources toward the goal of investing in domestic financial assets.

There are stock exchanges in all the Baltic countries, but they do not have a large volume of operations. Given the small budget deficits, there is no need for wide-scale emission of state bonds. Latvia has been holding auctions of the short-term bonds of a state loan with a liquidation period of 28 days and 91 days since December 1993. Only licensed commercial banks take part in them. On the secondary market, these securities can be purchased by other banks, enterprises and citizens — residents and non-residents. The liquidity of the securities is quite high. The bonds may be used as security to obtain refinancing loans at the Bank of Latvia. Estonia's exchange holds auctions of short-term

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deposit certificates of the Central Bank of Estonia with a liquidation period of up to 28 days. In Estonia and Lithuania, investors can buy Latvian securities, and in Latvia —Estonian ones. Russian securities also circulate on their markets. For national investors, their purchase is a way of speculating on the disparity in the levels of inflation in Russia and the Baltic countries.

Belarus

The financial situation of Belarus has been characterized in the last six months by strong inflationary trends. In 1994, prices rose by 2,321 percent, which led to exacerbation of the currency-financial problems. In the first two months of 1994, the situation on the financial market was determined by expectation of the unification of the monetary systems of Belarus and Russia and the promise of exchanging Belarussian rubles for Russian at a rate of 1:1 (at that time the rate on the exchange was 4 Belarussian rubles to 1 Russian ruble). When it became clear that there would be no unification, a large flow of Belarussian rubles poured onto the currency market. One of the factors exacerbating the currency-financial situation was Russia's requirement that debts for the energy carriers supplied be cleared off. The Belarussian government, in March 1994, was forced to resort to extreme measures. In the course of two weeks, a requirement was in force that all currency receipts must be sold at an exchange rate below that of the market. A currency loan was made at the enterprises which amounted to 20 percent of the residual funds in the accounts in SKV and Russian rubles. Beginning on 1 January 1994, obligatory sale of 50 percent of the currency receipts (SKV and Russian rubles) from export operations on the exchange was introduced. From that date, auctions were held daily for the currencies being quoted (dollar, German mark, Russian ruble, Ukrainian karbovanets).

The National Bank of Belarus controls the situation on the currency exchange and the rise in the currency exchange rate. The limit of rise in the exchange rate for one auction is 10 percent. When this limit is exceeded, the NBB voids the results of the auctions and postpones them to a later date. In 1994 the exchange rate of the Belarussian ruble to the dollar dropped by a factor of 15.5, to the Russian ruble — a factor of 6.5, to the German mark — 17.3, and to the Ukrainian karbovanets —by a factor of 4.

The official exchange rate of the Belarussian ruble is established according to the results of trading on the Interbank Currency Exchange (Minsk). There is so far no unified currency exchange rate. A special exchange rate is established for non-trade operations, and also for the services of the ministries of Transport and Communications and Social Security. Commercial banks establish their own exchange rates. Enterprises and organizations keep inter-republic accounts on the basis of agreed exchange rates.

A non-exchange currency market has been developing since the end of 1994. In October 1994, commercial banks were granted the right to buy and sell foreign currency, not only through the interbank currency exchange, but also directly between themselves. In this case it is required that "data on the totals, nature and exchange rates be reported by the commercial banks to the National Bank of Belarus no later than the day following the conclusion of the transaction."

A state currency control inspectorate is in operation in Belarus. Its functions include monitoring the arrival in the country of currency receipts, from export, for the supply of goods and services by import, for buying and selling and use of foreign currency on the currency market by components of the economic activity.

No non-exchange interbank currency market existed in Belarus until recently. The abolition, beginning in December 1994, of obligatory sale of the Ukrainian karbovanets on the interbank currency market served as the start of its development. In January 1995, commercial banks were permitted to buy and sell German marks and other SKV, with the exception of United States dollars, on the interbank market. The interbank market has an extremely small turnover. It is proposed that in 1995 all the restrictions on buying and selling foreign currency on the interbank currency market be removed. At the end of this year and beginning of 1996, it is possible that obligatory sale of export receipts will be abolished.

Beginning in March 1995, a minimum for charter capital — 600,000 ECU — was introduced for Belarussian banks. By 1 July it must be 1.1 million ECU, and by the end of 1995 — 2 million ECU. For newly registered banks, the charter capital should be at least 2 million ECU. In February 1994, the National Bank of Belarus approved a statute on the state fund of gold currency reserves. Its main task is to ensure the stabilization of the national monetary unit. In order to replenish the resources of the fund, at the end of 1994 the NBB established a norm for the obligatory reserve for commercial banks — 5.5 percent of the attracted resources in SKV.

The credit resource market is not developing. The reasons — an unfavorable interest rate for refinancing, recurring credit emissions and the differentiation introduced in the level of interest rates for loans. The total volume of operations on the credit market lagged by

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more than a factor of 30 behind the volume of operations in currency in 1994. Beginning in August of that year, the NBB began to hold credit auctions, which ensured a rise in the volume of operations on the MBK market.

GKO [State treasury bond] emissions have been carried out since February 1994. There were five issues in 1994. The turnover volume is very low because of the lack of development of the secondary market. Only in September 1994 was it given permission to conduct trading. The small degree of investor interest stems from the low liquidity and high tax (15 percent) on income for buying-selling operations. As for non-state securities, the prospects for their turnover are even less clear, because the government has actually suspended privatization. At the beginning of 1995, the Belarussian ruble stabilized on the currency market through strict administrative measures of monetary-credit regulation. During the 1st quarter of 1995, the exchange rate of the Belarussian ruble remained at a level of 11,500-11,700 Belarussian rubles to $1. The monthly rates of inflation were 30 percent in January and February and 20 percent in March. The NBB forced commercial banks into mass sale of currency, and doubled the norm for the obligatory reserve (to 10 percent), introducing an interbank credit limit amounting to 35 percent of the internal and attracted funds of commercial banks, establishing a maximum margin of 12 percent for MBK and deposits and requiring from commercial banks a monthly 20 percent of the balance in the current accounts of physical and legal persons and at least 32 percent on time deposits.

Beginning in May 1995, the obligatory sale, on the currency exchange, of export currency receipts in Russian rubles was abolished. The NBB gave as the reason the surplus of Russian rubles on the exchange. The exchange rate of the Belarussian ruble to the Russian ruble has begun to rise, which complicates the situation of Belarussian exporters. On 5 January 1995, the exchange rate was 2.93 Belarussian rubles to 1 Russian ruble, and on 10 May — 2.2 Belarussian rubles. To support the exchange rate of the Russian ruble, the NBB was forced to buy up a considerable amount of the rubles on the exchange, thus increasing the monetary mass in circulation and creating inflationary pressure on the economy.

Georgia

Georgia's temporary monetary unit — the Georgian coupon — introduced beginning in April 1993, is continually and strongly guaranteed. The initially established exchange rate of 690 coupons to $1 reached a ratio of 1.3 million coupons to $1 by 24 May 1995. The monthly inflation rates in 1994 were 50-100 percent. In August 1993, the coupon was proclaimed Georgia's only means of payment, but in fact, Russian rubles and United States dollars are found in Georgia's payment transactions. There is no unified currency market. The official market is the Tbilisi Interbank Currency Exchange. It is extremely tight. The banks carry out currency buying and selling operations among themselves in accordance with an agreed exchange rate. Exchange centers establish their own rates of exchange.

The Georgian government intends to stabilize the financial situation in 1995. It announced liberalization of prices for bread, stopped subsidizing enterprises, raised the rates for gas and electric power, raised the VAT and excise taxes for gasoline, liberalized foreign trade, etc. The government plans to lower inflation rates to 1 percent per month at the end of 1995.

Financial stabilization should create the basis for introducing a national currency — the lara — in August-September of this year, on condition of financial support from the IMF, which, as is expected, will grant a second tranche of credit to support $40 million worth of systemic reforms, and $80-100 million worth of reserve credit. It is assumed that the exchange rate of the lara will be "tied" to the United States dollar. A reserve currency fund will be created to ensure the stability of the exchange rate and the convertibility of the national monetary unit. The definitive mechanism of monetary reform will be worked out by a government commission for the introduction of a national currency.

Kazakhstan

Along with introducing a national currency — the tenge — in November 1993 Kazakhstan proclaimed a program of financial stabilization. It pursued the corresponding policy, however, with extreme inconsistency. In March-April 1994, mutual offsetting of the debts of enterprises was implemented, which caused an inflationary burst and a fall in the exchange rate of the tenge on the currency market. Inflation in 1994 was 1,255 percent, and the production slump reached 28.5 percent.

In 1995, Kazakhstan's state budget deficit is planned as 3.5 percent of the GDP (4.6 percent of the GDP in 1994). It is assumed that the deficit will be covered through floating securities and foreign loans. The average monthly inflation in 1995 should be 6 percent, and the overall rise in prices — 60-70 percent.

Kazakhstan's financial market is tight and unstable, and is characterized by rigid state regulation, a lack of strong financial institutions and the imperfection of the legal base. The basis of the currency market is trading on the Kazakhstan Interbank Currency Exchange, the activity of which is controlled by the National Bank of

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Kazakhstan (NBK). The official exchange rate of the tenge to the dollar and the Russian ruble is formed at this exchange.

There is virtually no non-exchange currency market. The interbank credit market began to develop in the second half of 1994, after the NBK announced that it would cease to issue centralized loans and began to hold credit auctions. Banks which satisfy certain requirements are admitted to them. The volume of operations on the MBK market is extremely small. The lack of a developed MBK market is explained by the lack of a sufficient number of reliable banks. Only five or six banks have the reputation of being reliable. Operations with small banks are risky. The second reason is the lack of interest in MBK because of quite a high income through other operations. Stiffening the norms for liquidity of the balance may activate the market.

GKO auctions began to be held in 1994. The emission was 1 billion tenge. The market is tight and not very liquid. The lack of development of the MBK market has also caused a lack of development of a secondary GKO market.

The market for corporate securities is just beginning to develop. Check (coupon) privatization began in 1994. Joint stock companies issued shares, and investment funds were set up, issued by portfolio investors. Mass privatization should be completed in mid-1995, after which monetary privatization will begin. The shares will be sold through auctions and investment competitions.

Kyrgyzstan

Kyrgyzstan, which introduced a national currency — the som — in May 1993, did not succeed in realizing a course toward financial stabilization at the first stage of reform. The program of stabilization approved in February 1994 appeared more realistic. It specifies abolishing benefits and subsidies for enterprises through the budget, stopping the issuing of loans to enterprises with overdue debts, liberalizing foreign trade, etc.

The National Bank of Kyrgyzstan (NBK) has been holding daily credit auctions since February 1994. To obtain credit, a commercial bank must present a 100-percent deposit for the total of the credit resources being obtained in the form of SKV, securities and internal assets.

GKO auctions have been held since February of that same year. In May 1994, the question of setting up a Republic Interbank Currency Exchange was discussed. The government appealed with an initiative on opening an exchange and direct admission to trading on it for all components of economic operation, regardless of the form of ownership. The board of the NBK, however, regards this step as inadvisable, since the turnover of the currency marts will not be able to justify the existence of an exchange. It was decided to continue the practice of NBK currency auctions. These auctions have been held twice a week since 17 May 1994, for the United States dollar and the Russian ruble.

Following a rigid financial and monetary-credit policy made it possible to reduce the inflation level in 1994 by a factor of 10, as compared with 1993. On the whole, it was 87 percent, according to official data, but the actual rise in prices for consumer goods, according to the data of the CIS Goskomstat, was 280 percent for the year in Kyrgyzstan. These figures indicate that the inflation level in Kyrgyzstan was noticeably lower than in the other republics of Central Asia. It must be noted, however, that financial stabilization here took place against the background of a deepening production slump and a rise in the volume of non-payments, which totaled 35 percent by the end of last year. This year it is planned to continue a course toward financial stabilization, bringing the average monthly inflation level to 2.5 percent. In January 1995, however, the rise in prices was 7.1 percent. The state budget deficit for 1995 is planned as 12 percent of the GDP (actual deficit in 1994 — 8 percent of the GDP). In the 1st quarter of 1995, the budget was fulfilled by 58.7 percent with respect to the income portion. This is evidence of Kyrgyzstan's serious difficulties in achieving financial stability.

Beginning in May 1993, the NBK began to hold auctions of state treasury bonds (GKO) to finance the state budget deficit. At the beginning of 1995, commercial banks were the main investors in state securities. The volume of planned sales depends on the amount of their surplus resources. For a further rise in the sales volume, it is intended to attract the funds of the population. Realization of this plan, however, comes up against the lack of a secondary market. At the beginning of 1995, GKO were the only official securities.

The Kyrgyz stock market opened in May 1995. Kyrgyzstan began to build a market of corporate securities in accordance with Western methods and standards in trade, clearing and clearing accounts. On the analogy of the United States Securities Commission, a State Agency for Oversight of Securities Operations was set up. It regulates securities operations, keeps track of the execution of the law on securities and the stock market, the law on joint-stock companies and the statute on investment fund activity. In order to be admitted to trading on the exchange, a company must be listed. For this it must have a prospectus of emission and evidence that the account books have been audited in the last three

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years, and must also turn over the register of stockholders to the keeping of independent registrars. Automating the trading system will make it possible to put data on contractual transactions into the computer system. Clearing operations for transactions will be performed on the day they are concluded, because independent registrars will be present at the trading.

By June 1995, 391 enterprises in Kyrgyzstan will be privatized, and by the end of the year another 487 should be added to these. According to the privatization program, another 70 enterprises may be sold to a single strategic investor, capable of buying up to 70 percent of the shares of the enterprises. Foreign investors may buy the shares of listed enterprises, legalize transfer of the rights of ownership to them and buy controlling bundles of shares of enterprises in a single transaction.

Moldova

Moldova is one of the few states of the near abroad whose domestic financial market is developing quite successfully. It has succeeded in this through progress in financial stabilization. Its beginning was the introduction of a national currency — the Moldovan leu — in November 1993.

On the whole, the government fulfilled the measures outlined for 1994 to stiffen the monetary-credit policy, liberalize prices, brake inflation, increase the currency reserves, etc. The average monthly inflation last year was 15 percent, down from 44 percent in January to 4 percent in December. In order to decrease the volume of the monetary mass, in February 1994 the National Bank of Moldova (NBM) raised the norm of obligatory reserves for commercial banks to 25 percent. In 1994, 80 percent of the NBM loans to commercial banks were offered only through credit auctions.

The Moldovan leu was one of the few currencies which remained relatively stable from the beginning of holding trading on the Interbank Currency Exchange of Moldova (in December 1993) to the beginning of 1995. Its exchange rate to the dollar in 1994 dropped by no more than 10 percent. From the first half of 1994 to the beginning of 1995, the supply of dollars on the exchange from commercial banks exceeded the demand. On the cash currency market, they sell more dollars than they buy. The sales volume in August 1994 exceeded the sales volume in January by a factor of 3.3. This is a testimony to the strengthening of faith in the government's financial policy.

The position of the Russian ruble on Moldova's financial market weakened noticeably. Its exchange rate is constantly dropping because of the large mass of cash rubles brought in from Russia. The NBM actively intervenes on the currency market, buying up both dollars and rubles. It uses the latter to clear off the state debt to Russia. The Stabilization of the exchange rate of the leu and the increase in the supply of currency over the demand made it possible for the NBM to abolish obligatory sale of currency receipts from export in November of last year.

In February 1995, the Moldovan Currency Exchange made the transition to daily trading (before this, they had traded three times a week).

According to the predictions of the NBM, the exchange rate of the leu in 1995 will remain just as stable as last year. Therefore, a lowering of inflation (10 percent in 1995) is expected, which will make it possible to reduce the rate of refinancing from 28 percent at the beginning of 1995 to 15-20 percent at the end. Measures have been outlined to liberalize the domestic currency market and ease currency restrictions. This will provide a basis for turning to the IMF with a request to recognize the leu as convertible currency. Stabilization of the Moldovan leu created the prerequisites for it to come close to the Romanian leu. The Moldovan leu was the first currency of a former USSR state to be quoted by the National Bank of Romania (on the basis of cross-exchange rates through the dollar). In February 1995, the NBM permitted commercial banks which had a general license to conduct operations in foreign currency to issue loans in Romanian leu, along with loans in dollars and Russian rubles.

Moldova's securities market is represented by treasury bonds. Their sale began in October 1994 through the Sberbank network — the dealer for the republic's Ministry of Finance. Payment of income on these securities is stipulated in the amount of 80 percent annually, when the owner keeps them for at least six months, and 50 percent when they are kept for a shorter period. It succeeded in enlivening the market for bonds of an internal state five-percent loan, having raised the income on them to 100 percent. A plan to issue GKO similar to the Russian has been prepared.

Tajikistan

On 10 May 1995, the government of Tajikistan introduced a national currency — the Tajik ruble — having renounced the Russian ruble, which had formerly been the legal means of payment on the territory of the country. Russian rubles on hand in the 1991-1992 design were exchanged at an exchange rate of 1:100, but the 1993 design is equivalent to foreign currency and is not subject to enforced exchange.

Export receipts (sale of aluminum) and state loans were the source of the Russian rubles coming into monetary

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turnover. The total sum of the loans granted Tajikistan in 1993-1995 was scarcely over 100 billion rubles [R]. It experienced a continual shortage of available ruble resources, however. In addition to rubles, foreign currency circulated in Tajikistan. The shortage of cash resources and the striving to put its domestic monetary in order and establish effective control over monetary circulation pushed Tajikistan to the need to introduce a national currency.

Turkmenistan

The national currency unit — the Turkmen manat — was put into circulation in January 1994, with a fixed exchange rate, established by the National Bank of Turkmenistan (NBT). This exchange rate is revised periodically. Beginning on 15 March 1994, the official exchange rate dropped from 2 manat to 10 manat to $1. Beginning on 1 February 1995 it was established at 220 manat to $1. Along with the official rate, there is a commercial exchange rate in force, established by commercial banks in clearing accounts and accounts with clients. It is constantly dropping.

Devaluation of the manat is caused by inflation. In 1994, the monthly rise in prices was an average of 30 percent. In order to combat inflation in Turkmenistan, a deficit-free budget was adopted in 1995. In February of this year, by decision of the president, 75 percent of the profits of commercial banks was immobilized. In 1995, commercial banks are to extend credit to state enterprises at 20 percent annual, while the market rate is 250 percent. The maximum level of profitability for banks is established at 4 percent. Beginning in February 1995, Turkmenistan carried out intrasectorial offsetting and wrote off the mutual indebtedness of enterprises.

The republic's currency exchange held its first and last trading on 14 March 1994. The trading was stopped because of the lack of a supply of currency. To a slight extent, this stems from the fact that the enterprises are to sell 50-60 percent of the currency receipts from export to the state budget at the official rate of exchange. Purchase of currency at the official exchange rate is permitted only with the personal approval of the president, and is possible only to clear off currency loans, convert the profits of foreign investors and pay for vitally necessary import.

The government's policy is aimed at the utmost support of the state sector of the economy. Turkmenistan is the only state of the near abroad which has no credit relations with the IMF.

Uzbekistan

The development of the financial market began from the time the national currency — the sum — was introduced on 1 July 1994. At that time its exchange rate was established as 7 sum to $1. After the introduction of the national currency, the Central Bank of Uzbekistan (TsBU) followed the policy of raising the rate of refinancing and stiffening the monetary-credit policy (not only by market methods). From May to October 1994, the refinancing rate rose from 50 percent to 150 percent, and from October 1994 to April 1995 — from 150 percent to 225 percent. In August 1994, the TsBU stopped issuing preferential centralized loans. In order to check the rise of the monetary mass on hand, it prohibited commercial banks from issuing cash (with the exception of paying wages), and the people were prohibited from removing money from their bank deposits. Uzbekistan remains the only state on the territory of the former USSR which has retained, since 1990, the coupon system of distributing products. In January 1995, domestic prices here rose by 15.1 percent, and in February — by 18 percent, while in December 1994 prices rose by 4 percent.

Uzbekistan has no unified currency market, so it has no unified currency exchange rate. Along with the official currency exchange rate, established as the result of trading on the Uzbek Interbank Currency Exchange, there is an exchange-center cashless currency rate of exchange, determined on the basis of the supply and demand of the components of the economic operation; an intrabank exchange rate, established by banks for cashless operations with clients; a cash exchange rate at exchange centers; a "black" market exchange rate. The TsBU has proclaimed a policy of gradual transition to a unified currency exchange rate.

The most significant segment of Uzbekistan's currency market is the Uzbek Interbank Currency Exchange, where, since 4 April 1995, trading is held twice a week. The form of trading — Central Bank auctions. The basic object of trading on the exchange — freely convertible currency. In April 1994, the decision was made that accounts with the states of the former USSR republics could be settled by clearing or in SKV, since Uzbekistan's export is mainly "currency" commodities. The exporters must transfer to the TsBU 30 percent of the export receipts for sale on the exchange. The government has control over the purposeful and timely use of the currency purchased.

In 1994, approximately 20 percent of the budget deficit was covered through the issue of state short-term bonds. There is no secondary market for these securities. Uzbekistan's non-state securities market consists of the

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shares of enterprises and banks. The joint-stock capital of commercial banks predominates in the combined capital of the joint-stock companies, constituting 77.8 percent. On 1 October 1994, there were 307 joint stock companies issuing shares.

Corporate securities are quoted by the Uzbek Republic Stock Market, Tashkent. Its founder is Goskomushchestvo of Uzbekistan, which sells, in free sale, 15 percent of the shares of privatized enterprises. The trading volume is not high, because of the negligible demand for the shares, the income on which is quite low because of the stiff tax pressure and imperfection of the legislation.

The priority direction for TsBU activity is development of the primary market and formation of a secondary securities market.

Ukraine

Ukraine's financial instability is in many ways the result of inconsistency in the economic reform policy. The establishing of the domestic financial market is following a difficult path.

The development of Ukraine's currency market has passed through several stages. The latest stage — from 1 October 1994 to the present — is characterized by a resumption of operations on the Ukrainian Interbank Currency Exchange (UMVB) for the dollar and the Russian ruble. By the time trading on this exchange was resumed on 1 October 1994, the official exchange rate for the karbovanets to the dollar was more than double that of the exchange rate on the "black" market. Having decided to re-establish the currency market and make the transition to a unified floating currency exchange rate, the government of Ukraine rejected immediate liberalization of currency operations. Currency may now be freely purchased by enterprises and organizations on the currency exchange to pay for imported goods.

At the beginning of 1995, the procedure of compulsory sale of currency was changed. Of the 50 percent of compulsory sale of export currency receipts, 40 percent must be sold on the UMVB at the market exchange rate, and 10 percent — at the official exchange rate to the official reserve.

In 1995, the National Bank of Ukraine (NBU) began to hold auctions for the sale of cash currency for cash Ukrainian karbovanets, in order to come close to the exchange rate of the UMVB and the cash market. Commercial banks must sell purchased currency at a price not exceeding 10 percent of the purchase price.

In carrying out the decision to decentralize the currency market, the UMVB opened branches in Lvov, Dnepropetrovsk and Kharkov. Trading is held on a realistic time scale. In March of last year the Crimean Currency Exchange gained the status of an independent and turned from a branch into an AOZT.

The prospects for the development of Ukraine's financial market will in many ways depend on the results of the financial stabilization policy. It provides for cutting the monthly inflation rates from 20-30 percent at the beginning of 1995 to 5 percent at the end of the year; the inadmissibility of increasing the budget deficit over 7.3 percent of the GDP; increasing the share of NBU loans distributed through credit auctions; maintaining a favorable refinancing rate, etc.

The requirements for the reliability of banking institutions carrying out currency operations are increasing. By the end of the year, banks possessing a currency license must have a charter capital amounting to at least 500,000 ECU (now — 200,000 ECU). A branch of a foreign bank must be represented as a legal person with a parent capital of 5 million ECU.

***Finnish Foreign Minister on CSCE, Helsinki Process**

954E1214A Moscow ROSSIYSKIYE VESTI in Russian 1 Aug 95 p 3

[Interview with Taryei Khalonen, Finland's minister of foreign affairs, by Leonid Laakso in Helsinki; date not given: "The Foundation of a European House"]

[FBIS Translated Text] **Today marks the 20th year since the signing of the Final Act of the Conference on Security and Cooperation in Europe. An exclusive interview with (Taryei Khalonen), Finland's minister of foreign affairs, discusses the importance of this event and the vision of the future of the so-called Helsinki process.**

[Laakso] A total of 20 years have passed since the historic conference in Helsinki. If one looks at this event in today's light, was it really that historic in your view?

[Khalonen] Without a doubt, it was and is. For the first time in history, the heads of 35 countries cast aside ideological, economic and other obstacles and adopted a bold decision in the name of saving humanity. They ratified with their signatures a document that laid down the norms for international intercourse. This was a practical step which started a new political way of thinking aimed at strengthening a policy which could only be guessed at — at the time — beyond the horizon of the relaxation of international tensions. It is the Final Act, which was adopted in August 1975, that is today the basic document on which mutual relations between countries are being constructed.

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[Laakso] Nevertheless, the prestige of the people, who signed this document, has undergone significant change in their countries during the years that have passed. For example, the names of Brezhnev, Ceau escu, Honecker, and, yes, even Kekkonen evoke negative associations rather than positive ones among people today. It is somewhat strange to hear that these politicians took bold, progressive and historic steps....

[Khalonen] One must evaluate each politician according to the criteria of the times in which he lived. For the present generation, these are people of the past, without a doubt. However, they were somewhat advanced for their time. It was thanks to their efforts that the words "First, Second and Third baskets" became for every European not mere empty words but concepts filled with substance. Thanks to their filling them with political and economic collaboration and cooperation in cultural life, we have today achieved a very high degree of voluntary integration in Europe. The generation of the Seventies politicians has a right to be proud of the fact that the structure of our European house is being built according to their architectural plans. The CSCE, now OSCE [Organization for Security and Cooperation in Europe], Final Act is the foundation of this house. All the other stories were built later — the Council of Europe, the European Union, etc.

It is universally recognized, however, that the CSCE-OSCE, just like the United Nations, was not ready for the challenge of the Nineties. The termination of the cold war and the end of the East-West confrontation also led to the situation getting out of control here and there. The events on the territory of the former Yugoslavia are an example of this. Does the CSCE really teach that security should be built on military force?

Indeed, international organizations were, to a great extent, not prepared for this development of events. The new circumstances demand a very rapid restructuring of their activity. The recognition of this in many organizations, including NATO, generated an active search for their place and a new role.

When the subject concerns new roles and the expansion of functions, however, one cannot permit the confusing of concepts, the substituting of one organization by another or the combining of their signs of equality. For example, our country's leadership is very carefully watching that they do not confuse Finland's present position in connection with its entry into the European Union. Some would like to build a parallel between membership in the EU and membership in NATO. This is far from being the case. Finland has not shouldered a NATO membership card as a burden for EU membership. For us, the EU is the highest degree of democratically developing integration based on political, economic and cultural cooperation in the name of society's safe development. Without a doubt, a strong European Union is required to implement these goals. However, it must not be confused with NATO. Although NATO is changing its appearance, in the final analysis, however, the activity of all power organizations should be completely under the control of politicians. That is why I completely support the demand of Minister Andrey Kozyrev that all actions of the international military formations on the territory of the former Yugoslavia be carried out only under the aegis of the United Nations.

[Laakso] From the point of view of insuring security, do you rely more on the United Nations or on the OSCE?

[Khalonen] I do not counterpoise these organizations. However, they are counting on raising the OSCE role in matters related to solving regional problems. In particular, the success on the path of a peaceful settlement of the military conflict in Nagornyy Karabakh serves as a basis for this. An armistice has been observed there for more than a year now and the participants in the conflict are conducting a serious search to solve the grave problems, which have arisen because of the military actions, within the framework of the OSCE Minsk group under the leadership of the Russian and Finnish co-chairmen. It is also symptomatic that negotiations to get out of the Chechen crisis are being conducted in the premises of the OSCE mission in Groznyy. Let us hope that they will lead to the establishment of peace.

[Laakso] If the CSCE had been held in Helsinki not in 1975 but in 1995, you as minister of foreign affairs would have been the hostess. What dish would you have prepared in the European political kitchen?

[Khalonen] First of all, the base, that is the broth, would have been as before — the CSCE Final Act — because it represents the broadest possibilities for culinary creativity. All of us must make this soup together. Then, each will add to it his own national nuance and no one will think that they have fed him something alien or that they have been shoved back from the common pot.

Personally, I would have added to this soup a little more of everything that is connected with democracy since I think that the taking root of the correct and just principles, which are proclaimed in the CSCE Final Act, in practice is connected very closely with developing and perfecting democracy in all areas of human intercourse.

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[Laakso] In this case, what did you expect from the Russian chef?

[Khalonen] Unusually rapid changes in political and economic life have occurred in Russia. In order not to lose in the rapid stream of events what has been accumulated, it is probably important to conduct a national inventory of everything that exists. One must decide for oneself what to keep and what to change. In this connection, it is gratifying that 20 years after the Helsinki Conference the Kremlin leaders are adhering to a policy of expanding European cooperation. An agreement on cooperation with the EU was recently signed and the acceptance of Russia into the Council of Europe is expected in the fall, that is, it looks like you will remain with us and that we will make the soup of European security together.

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***Problems, Trends of Foreign Investments in CIS Detailed**

954E1213A Moscow PROBLEMY TEORII I PRAKTIKI UPRAVLENIYA in Russian No 3, 1995 pp 86-89

[Article by Igor Pogosov, director of the Expert Analysis Center of the International Congress of Industrialists and Entrepreneurs (Russia), under the rubric "Management of Investment Activity": "Foreign Investment in the CIS Countries"]

[FBIS Translated Text] **There is no reason to put all our hopes on foreign credits.**

Private capital is the main source of investment.

What attracts foreign entrepreneurs.

For many years the foreign economic activity of the former USSR developed primarily in the trade sphere. Today commodity exchange with the Western countries is supplemented by investment, production, and scientific-technical cooperation. Strategic goals and mechanisms that ensure mutual advantage are being worked out and the positions of the parties are being defined.

Capital Investment Strategy

The new independent states which formed in the territory of the USSR have declared a goal of attracting broad foreign investment. The changed situation makes this possible in principle. A number of investment programs are already being implemented, and joint enterprises are being formed as well as enterprises with share participation and ones with 100 percent foreign capital. Business partnership on a commercial basis is gradually being worked out.

A difficult problem for the CIS countries is structural reorganization, which should rely on capital investment that ensures rational use of the factors of production, development of high-technology sectors, and utilization of the fact that capacities are significantly underloaded to liquidate those that are obsolete and to reconstruct and modernize others. Among the pressing challenges are orienting enterprises to production of consumer goods, storage and processing of agricultural output, and maintaining the basic life support systems. And modern technologies, marketing, and management are becoming key objects of investment policy.

The scale of the need for capital to renovate production is illustrated by data on the value of fixed assets. Their replacement value in Russia on 1 January 1994 (after reassessment) was 1,325 trillion rubles [R], of which R1,120 trillion was production assets, which included R538 trillion of industrial production assets. In December 1994 as compared to December 1993 these indicators, taking account of the rise in prices, roughly tripled, reaching R3,975 trillion, R3,360 trillion, and R1,613 trillion respectively. The scale of capital investment for 1994 was R110 trillion in current prices (2.8 percent of the value of fixed capital), including R61 trillion for production assets (1.8 percent of their value). With such ratios it will take at least 25 years to bring half of production assets to the contemporary level, but since technology is constantly being improved and updating of the rest of the assets also requires capital, the time need to meet the challenges is increased 1.5-2 times. A similar situation has taken shape in other CIS countries as well.

The answer is seen in using primarily internal savings. But attracting major national capital to investment inevitably means limiting consumption and a lowering of the public standard of living. Foreign investment can mitigate the situation. Loans must be repaid, of course, and with direction investment in production part of the profit will be exported. But in the former case the process drags out in time, while in the second the problem of repaying invested capital does not exist at all. Therefore, there is a vast field for attracting foreign capital, running into tens and hundreds of billions of dollars. This opens favorable opportunities for strategic investment decisions aimed at realizing the advantages of Western companies in the development of production, working out marketing, and introduction of know-how in the CIS countries.

It is necessary to invest 150-200 billion dollars annually in large-scale reconstruction and structural reorganization of production for many years into the future. These amounts are more or less comparable with expenditures for the regeneration of the economy of the former GDR, which was much smaller.

According to W. Kartt, FRG representative for consultation to Russia on economic issues, privatization in the eastern lands of the FRG cost 150 billion marks a year. The privatization program was basically completed in 1993. Of 13,000 companies, at the beginning of 1994 only 266 had not been turned over to private parties. The Troichand trustee agency, which carried out the program, concluded contracts with investors that contemplate an influx of 184 billion marks and the creation of 1.5 million jobs.

The aid given by the IMF and the World Bank, however, is negligible and can only be used to patch small holes in critical sectors.

There is no reason to put all our hopes on foreign government loans—they are small and they must be repaid. In Russia private capital can be the main source of investment. It is a realistic business partner.

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When preparing conditions for an influx of foreign capital, we must not forget the purposes and efficiency of its use. We are referring to building modern, highly productive enterprises with skilled management and marketing services and broad collaboration with national companies. And for foreign entrepreneurs it is advantageous to have access to the CIS market with its work force and relatively low production costs.

The limited nature of resources from savings within the country and received from outside predetermine the approach to working out development strategy and its priority directions. A problem here is the contradiction between efficient use of capital investment and the objective need to maintain the life support sectors. On the one hand, the sectors which have the relatively best conditions for survival—petroleum and gas, aviation and space, metallurgy, and certain chemical sectors—are paramount. On the other hand are the sectors which are vitally important to the country, generally the leading sectors of machinebuilding, electric power, and the coal industry. Without them the state cannot develop. We should also mention light and food industry and a number of machinebuilding sectors toward which the attitude cannot be ambiguous.

Foreign capital is interested above all in supporting the export sectors which have comparative advantages, with fast capital turnover, as well as successful enterprises.

The "Sectorial" Interests of Foreign Capital

According to Goskomstat [RF State Committee for Statistics] data, foreign investment in 1994 was 1.2 billion dollars (without trade credits). Foremost in this was the fuel industry—78 percent, then trade and public catering—6.3 percent, construction—4.3 percent, and wood processing and pulp and paper industry—3.5 percent. Machinebuilding accounts for only 3.2 percent. Foreign capital will hardly come to heavy machinebuilding and the coal industry in large amounts.

The petroleum-gas industry, along with a few other sectors, can play the role of engine of economic development in Russian, Kazakhstan, Turkmenia, and Azerbaijan. It is of interest to the companies of other countries too. It is true that the increased extraction and supply of petroleum and gas has led to a sufficiency of these resources in the world in the current phase. But rapid growth in their consumption, especially in the developing countries, and the need to upgrade production for the CIS countries to supply their own needs can change the situation. Cooperation with foreign capital in this sphere would foster an organic entry of petroleum, gas, and the appropriate technologies into the world market and development of national equipment production. An example is the joint-stock company Rosshelf, which is collaborating with the experienced companies Brown and Roof and Hamilton Oil in realization of a large-scale petroleum extraction project. At the same time the project will promote conversion of defense-oriented shipbuilding enterprises because the orders for production of the basic equipment were placed in Russia.

In machinebuilding the interests of foreigners are concentrating on establishing enterprises to assemble television sets, domestic appliances, personal computers, motor vehicles, and other products whose parts and assemblies are manufactured by the foreign parent companies. It is also preferable to invest in enterprises of the military-industrial complex which are being converted and have high technological and scientific-technical potential. In every case the foreign companies aspire to possess a controlling block of stock. The markets for military industry and high technologies are rivals to some degree, but in large part they complement one another. It would appear that the time has come to define the place of the CIS countries in these world markets and the place of Western companies in the CIS markets. To achieve this a mutually acceptable foundation that does not infringe on the strategic interests of the parties must be found.

Conversion of defense industry and developed machinebuilding open up opportunities for joint organization of many production facilities in the CIS countries and stimulation of investment with the creation of new jobs, thereby replacing the purchase of equipment abroad. Tax and customs policy would help straighten out the production of computing equipment using accumulated potential.

It is not impossible that foreign companies will have an interest in organizing the production of energy-intensive and metal-intensive, relatively simple-to-manufacture equipment with the objective of exporting it to the developed countries. Foreign investors are also attracted to the extraction and processing in the CIS countries of nonferrous metallic ores, which are often unique in terms of reserves and components.

Pure and applied research has become a sphere of international cooperation in business circles. Under contemporary conditions of weakening mutual trust this can increase the use of countries' scientific-technical potential, reduce expenditures for scientific exploratory work, and promote the conduct of reforms. The partners in this are not just large companies and corporations, but also scientific research centers and universities. The formation of small new scientific and innovation firms on the basis of former organizations and design bureaus

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of the ministries and departments broadens the field of cooperation.

Many companies of the CIS countries have promising technologies, knowledge and experience, discoveries and inventions that have not come into demand yet, and a significant backlog of"know-how." This applies to laser equipment and technology, microelectronics and software, the technology of controlled thermonuclear synthesis, aviation and space equipment, telecommunications, new materials, waste-free technologies, and bioengineering. The collaboration of the Ilyushin, Tupolev, and Antonov design bureaus with such corporations as Rockwell International, Collins Aerospace, United Technologies, Pratt and Whitney, Boeing and others is producing a great deal.

The Readiness of Foreign Investors for Cooperation

The effectiveness of capital investment in the economy of another country is evaluated from the standpoint of both the investors and the recipients. Naturally, a balance of interests must be found in each case.

Firms which invest capital aspire to control a market, using their advantages—available capital, contemporary technology, know-how, advances in marketing and management, relatively low production costs, tax benefits, and others.

But foreign investment is not always advantageous for the recipient country. On the general economic level such investment may be considered useful in the case where the new enterprises exceed the average level of existing ones for productivity, broaden marketing opportunities, and create conditions for research and development. The readiness of investors to cooperate with the enterprises of the particular country in deliveries of raw and processed materials, assembly components, and equipment as well as collaboration in the area of scientific research plays a significant role.

The degree of self-sufficiency of the enterprise with participation of foreign capital, its independence from the parent company, and its orientation to cooperation with local enterprises are very important. In practice the dominant motive for investors is to avoid the creation of additional competition for their parent companies.

The petroleum and gas market, where the rivals are the Arab and other extracting countries, is a different matter. Despite the risk, the confused character of economic laws, political instability, and the growth of crime, large capitalists are ready to conquer this market, overcoming all obstacles. Partners here do not notice the double standards, or they pretend that there are none.

The reality, however, is that the international concerns which invest capital in enterprises on the territory of other countries do not strive to introduce their best achievements there and cooperate with our national firms; they are oriented to cooperation with the parent company, broadening its market. They pump profit out of the country and use know-how in their own interests. The benefit from investment comes down to the creation of new jobs and the high wages of personnel with middle and low skill levels.

But transcontinental and transnational companies can obtain significant benefits, broadening their field of activity by seizing new markets, possessing favorable conditions for transportation, using cheap (and often skilled) labor, energy resources, and so on. Furthermore, foreign companies enjoy substantial state privileges—they are given subsidies and plots of land on favorable terms, taxes are lowered for them, and so on. Many of these privileges are paid for by the taxpayers, and represent a loss of gross domestic product for the country.

State policy in the area of foreign investment must be based on analysis of the concrete economic situation. It is essential to study the reasons that national enterprises are not meeting the needs of the domestic market, to compare pluses and minuses, and to define the conditions, spheres, and advisable levels for attraction of foreign capital. Of Course, the nature and scale of the privileges granted demand a balanced approach. Tax privileges, for example, are advantageous where profit is reinvested, new highly efficient technology is introduced, charitable activities are carried out, and environmental protection is ensured. Taking concrete conditions into account it is acceptable to lower the export tax or exempt from it for the repayment term of capital investment, and it is acceptable to attract foreign investors on conditions of output sharing.

We must make skillful use of those things in which others show an interest and not destroy them with our own hands. If prices for raw materials and energy resources are raised to the world level, then one of the powerful stimuli for investors disappears; the opening of customs borders creates a situation where it is simpler to import finished goods of a Western company than to invest capital in new production in the CIS, which will compete with it. In this sense a certain protectionism is more acceptable than a liberalization of foreign trade that is too far-reaching.

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Political Issues

Moscow Mayor Examines Political Scene

954F2953A Moscow LITERATURNAYA GAZETA in Russian 26 Jul 95 No 30, p 11

[Interview with Moscow Mayor Yuriy Luzhkov by LITERATURNAYA GAZETA editorial staff at the LITERATURNAYA GAZETA Moscow office, date not given: "Yuriy Luzhkov: In People's Service—These Are Lofty Words, But First, We Need To Supply the City With Vegetables"]

[FBIS Translated Text]

The President Looked Better Than We Did.... A. Udaltsov, editor in chief. Yuriy Mikhaylovich, we know about the president's health mainly from official statements issued by his staff. But since you visited the president last week, I want to ask how he is doing, how he looks. But what mainly surprised many people: What kind of burning city planning issues did the mayor of Moscow have to discuss with the president in the hospital? Yu. Luzhkov. There were no political underpinnings to our visit with Boris Nikolayevich. How does the president look? I thought he looked better than we did. Because we were tired and soaked after laying in the foundation stone at the construction site for the Russian Cultural Center, and on top of that we had missed lunch. While the president was fresh, energetic, in short—he looked well.

The questions that brought us to him were of the kind that probably only he can resolve. The first question—the situation around Manezhnaya Square. As is known, a huge shopping center is under construction there. And now we have approached the stage where we have to change the pattern of the ground traffic in the Manezhnaya Square area. Seemingly an exceedingly simple issue, but right next to it is the Kremlin, where the president works. Should we obtain his concurrence for our plans? I personally believe that we should—both from the state and personal viewpoints. Which is what we did. The president spent about 15 minutes being briefed on the situation, on all the elements and phases of the construction project. And he gave his consent. He did limit the time frame for our work to four months. That is, in a matter of four months we have to turn the current pavement into a new one—running over the huge empty space of the shopping center. The president gave us four months. **Voice from the audience.** How many months did you ask for? **Yu. Luzhkov.** More.

The second question we brought to Boris Nikolayevich in the hospital was the VAT [value-added tax] on construction. This is an outrage! The investment complex in Russia is just beginning to get on its feet. Housing construction is showing growth—in some regions by 10-15 percent. One would think that today the main task for the Government of Russia is to support this growth, add some preferential treatment for the construction industry, or at least not worsen the situation. But no! They just have to hit these bastard-builders on the head! Can you imagine this outrage—they are beginning to increase the volume of construction-erection work! Hit them with VAT on construction right away. Just think about it! Not on construction materials—but on construction! What is this? For me personally it means that I either have to go back on my promise to give free 250,000 square meters of municipal housing to Muscovites on the waiting list, or find half a trillion rubles [R] in the already balanced and very tricky budget. And who imposes this VAT? Our Home Is Russia? Do we want our home, Russia, to remain a communal apartment forever? Do they want this? Do they want to derail the reconstruction of Moscow? Reconstruction is a very expensive undertaking, enormously expensive in terms of expenditure and effort. Today the government knows only one way of getting money—by strangling with taxes those who make this money. Instead of allowing development, letting everyone who wants to produce get on their feet, and only then collect revenue. No, they have to get their own by any means, right away, at the expense of those working, those with initiative, and then sit hungry, so to say, and, having strangled development, rejoice that you have achieved your goal. If this is the goal of Our Home Is Russia and the Government of Russia—and in my view, they are one and the same—then they have achieved their goal. **Voice from the audience.** What was the result of your conversation with Yeltsin? **Yu. Luzhkov.** The president was understanding with respect to our reasoning; he will instruct the Government of Russia to review the issue once again and repeal this VAT.

Know How To Work With Those We Do Not Like

A. Udaltsov. Yuriy Mikhaylovich, we know that chaos reigns in the management of the country and the economy. On the other hand, we see that a lot of good things are being done in Moscow. The Beltway, Poklonnaya Hill, housing construction, restoration, and so on. Which means that you can do it. How? Many people say that you rely on oldtimers and that you yourself represent the old type of economic manager. You, on the contrary, are proud that the first market mechanisms have begun to work. In matters of city administration, Moscow stands apart compared to the rest of the country.... Yu. Luzhkov. I cannot say that this is a unique phenomenon— Moscow. There are regions where things are going quite well, and you should write

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more frequently about that. Speaking of Moscow, there are several important factors.

The first is the result of the intensive transition to the market. Chubays and others denounced us for allegedly resisting market transformations. This is not so. We have written on our banner two important operational principles of the depoliticized Government of Moscow: market transformations in an environment of the democratization of society. This should set the framework for all other goals. It was not easy. In 1987, when I was still first deputy chairman of the Moscow City Soviet Ispolkom [executive committee], I was tasked with overseeing the cooperative movement. I ran into difficulties and problems, but I also had results. When I was removed from overseeing the cooperative movement, there were already 12,000 cooperatives in Moscow. I can guess, of course, who had a hand in removing me from it. There were people who were unhappy to see how energetically this movement was developing. Therefore, the cooperatives were removed from my supervision and transferred to another deputy chairman—he still works in our system. He put a squeeze on cooperatives instead of developing them. And so this wave began to subside somewhat. But this is all history. One has to know it, however, in order to understand whether the mayor is market-oriented or not.

Now about our current priorities. Moscow currently has a concentration of more than 1,000 banks. And in order for the banking system to become an integral part of the city, conditions must be created for it. We tried to do this the best we could, fully aware that concentrating financial capital in the capital of Russia is extremely important. Banking capital is like a beehive, which has lifted off looking for somewhere to settle. We have managed to settle it in Moscow. And now we have to take steps to keep it from disintegrating. Of course, some banks—about 300—will go out of business. But this is a different topic.

Anyway: First, developing medium-size and small business. Second, banking capital. We see that the state system of production is disintegrating. This was already obvious back in 1988-89. Debt, nonpayments, and other stuff—we have been through it all. What was needed was to replace the system of large monopolist state structures with a multitude of medium-size and small entrepreneurial systems working on their own initiative. In this area we pursued several goals. One of them—finding jobs for people getting laid off, keeps unemployment from growing. Right now there are 17,000-20,000 unemployed in Moscow, and 65,000 job vacancies offered every month. There are 340,000 entrepreneurial systems registered in Moscow. They have absorbed the surplus labor force and begun paying taxes. As you can see, no special phenomenon. What you see is the result of a policy the city has been implementing for several years: small and medium-size business, financial capital—this is, as they used to write in the past, the secret of our success. **Voice from the audience.** Do you use oldtimers extensively? **Yu. Luzhkov.** Of course. **O. Moroz, member of the editorial board.** And Zharov, who took over the supervision of cooperatives from you? **Yu. Luzhkov.** And Zharov, too. Why not? Zharov is an excellent specialist. I could get rid of Zharov, or others, and be left without people who know their business and who, by the way, having recognized their mistakes, can be tremendously useful. Even revolutions were not made by completely destroying the old systems and bringing new ones out of nowhere—complete with perfectly trained people with a new outlook on life and its political, social, public, and economic problems.

By the way, in revolutionary Petersburg, with whose leadership we are friends, the Leningrad City Soviet at the time dumped the oldtimers, and hence those who knew the business, had good experience, and were capable of living and working in the conditions of change. Of course, there are orthodox, radicals, and conservatives, who believe that their time has passed and hate everything new. And do not want to take part in it. These people should not be utilized—it is useless.

Generally speaking, it is difficult to work with people we do not like. But although it is difficult for us personally, we have to think of the task itself. When I was leaving a large enterprise where I had been director, I told my colleagues: Under any circumstances, do not get rid of people with nonstandard thinking. If you throw these uncomfortable, abnormal, or semi-normal people out of your system, you will immediately feel relief. Life will become easier for you, because these people always stir things up. These are people who always are unhappy with something, always looking for faults. But if you get rid of nonstandard people—that is it, forget it. In a couple of years the company will go downhill.

The same is true here. Therefore, I consider the symbiosis of experienced cadres with our revolutionaries the most effective mix.

And third: We have managed to create a city administration system that is new, different from the one that existed before. Better than the old one. **A. Rubinov, commentator.** But how much larger is it? **Yu. Luzhkov.** I do not care! What I care about is not how much larger it has become but how much more effective. Had it become larger and worse, this would be a different matter. But if the effect it produces is greater than the increase the system has caused, this growth can be considered a

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necessity, that very necessity which brings the authorities closer to the people.

By the way, I have just finished a brochure called "People and Authority." The main thesis: The task of the authorities is not to command or govern—it is to serve. And the principles of interaction between the people and the authorities must be strictly defined by the tasks the people (voters) delegate to the authorities. The latter also must operate in line with strictly defined principles. But the main principle, once again, is not to govern but to serve. In these circumstances, the mass media must serve as an intermediary that determines the people's reaction to the authorities' fulfillment of their functions. Otherwise, the mass media become either opponents or servants of the authorities.

What the Mayor Did With the R2,000 He Received From Our Commentator Yu. Kulikov, deputy editor in chief.

Yuriy Mikhaylovich, we know from the press that one of the huge buildings on Novyy Arbat has been sold to the Aeroflot bank for $145 million. Is this also some kind of new philosophy—squeeze the money out of the rich and build something else for the less wealthy? Have you encountered any resistance in this? Not everybody likes the fact that such buildings are going into private ownership.... **Yu. Luzhkov.** Yes, this building was sold for $145 million. What is important is not the amount but the fact itself. This building was due for capital repairs, which would have cost the mayoralty $46 million. But then a buyer stepped forward, a rich bank. What is wrong with such a deal? The money we get from this sale will be directed only into the investment complex, that is, city construction, restoration, development. Opponents? There are always opponents. For instance, several tenants objected to this sale, fearing that Aeroflot would throw them out. But we envisaged this in the documents as a mandatory condition: Nobody in this building will be disturbed until their lease expires. The city government believes that this was a lucrative sale for us. We will continue to sell, and a lot. First, we are creating a real owner; second, we are supporting the investment complex, which is the foundation of many constructive processes in the city. **A. Rubinov.** Ilya Glazunov on television expressed his gratitude to you for allocating R1.8 billion for organizing his exhibit. Since I got a "B" in arithmetic, as a taxpayer I calculated that you gave him my R2,000. This was two years ago. And in my research on the old Duma and Moscow city administration, I came across this fact: Your distant predecessor, city head Alekseyev, asked the Duma to give him 536 rubles and 35 kopeks to outfit a slaughterhouse. Tell me: Is it easier for you to spend money? Do you ask the Moscow Duma or only approve its decisions? **Yu. Luzhkov.** This is a serious question, almost below the belt. How do we spend money? I can tell you that your R2,000—unfortunately, worth much less than in Alekseyev's time—was used to organize the exhibit in the Manezh quite legitimately. Why? We have an approved budget. The budget is a sort of "pie," a circle, in which the Duma envisages certain sectors. Let us say, the social sector—33 percent. The investment development sector—30 percent. The city services sector.... and so on. Then the Duma fixes important components within each sector. Also by segments. And I have no right to go outside these boundaries. If I do, I go to the Duma and say: Please, consider—this is what I have, what expenses I have and what I anticipate.

I spent your money absolutely legitimately, because it was sitting in the culture sector. **A. Rubinov.** Could you not give it to some other artist? **Yu. Luzhkov.** I could. Allow us to decide this. That is, not me personally—I never make decisions on such things, this is up to the Committee on Culture, it has its own board. And generally speaking, this is decided by the city government—organizing such major all- Moscow events. And after the decision had been made, I found your money in the sector of expenditures on culture. All the paperwork is in order. I spent this money.

We report to the Duma every quarter, and it tells us whether it agrees with the expenditures made by the Government of Moscow or not. **I. Gamayunov, commentator.** I write on criminal topics, and sometimes I come across paradoxical situations. A man took an interest-free loan from the state by means of a counterfeit letter of credit, that is, committed a fraud. But he did not transfer this money abroad—he put it into business, and by the way, supplied Moscow with vegetables and fruit. He spent a year locked up in Sailor's Rest prison and was then released; now he goes to interrogations, because the case continues. The investigator says: I do not know what to do with him—his money did a lot of good, tremendous good in fact. How do you feel about the situation where capital that was acquired in less than proper ways gets adapted in our economy, and where is the line at which one should stop? **Yu. Luzhkov.** My attitude is this: Money should be earned honestly. Even the initial capital should be earned honestly. So I do not have any pity for this businessman who, after stealing this money, put it to use in an undertaking that was good for the city— and probably for himself. He must answer for his crime as the law provides, and there should be no other options in society.

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Why General-Patriot Korzhakov Did Not Sign: "Citizen of Russia" O. Moroz. What are your relations with General Korzhakov like now? Do you expect any new attacks against yourself and will there be a court hearing on the subject of General Pankratov's firing?

Yu. Luzhkov. My relationship with General Korzhakov is, so to say, ongoing. It has its own peculiarities. I respect Aleksandr Vasilyevich for his constancy, for loyalty to the man whom he decided to serve, for his perhaps peculiar but very strong patriotism. He has chosen his line in life—to protect the president and ensure his security. But if you choose to do this, do not get into something else—do not, for instance, write letters to Chernomyrdin on the subject of, for instance, oil problems. They have nothing to do with the president's body. **Voice from the audience.** He will say that he wrote it as a citizen! **Yu. Luzhkov.** Then he should have signed it: citizen of Russia such-and-such, not "chief of the presidential security service." And not on official stationery. And anyway, this problem has broader implications. Certain bankers you know get into politics. I categorically do not support this. Are you a banker? Then do finances. Are you a politician? Do politics. These professions should be separate, or at least they should not be combined in one person. It is this way everywhere else in the world. In short, if you do not have enough potential to handle state business, do not get into it. Do not inculcate yourself into something where you will not succeed and nobody will recognize you.

Regarding Pankratov.... You remember this situation well—it was very tense. The same with Ponomarev. With respect to the latter, illegal decisions were made by the acting general procurator. I can say that I did not stay on the sidelines in this—this is probably understandable. And the acting general procurator, without waiting for the court decision, which obviously would not be in his favor and generally would be quite embarrassing, revoked his decision. After which Gennadiy Vasilyevich Ponomarev said: Thank you, I have been reinstated, but I will not work with the general procuracy in this composition and in this key. And he resigned on his own. I knew about this even before the potential court hearing. I shared his position. I did not know Gerasimov at all, but why did I propose him for the job of city procurator? Because Ponomarev recommended him. This was more than enough for me.

As for Pankratov.... I sued the Ministry of Internal Affairs [MVD]. The MVD was going to lose. The hearing was postponed once with our consent. I even regretted later that I agreed. On the other hand, before the next hearing they did repeal the order on Pankratov's firing.

Then there was the State Duma inquiry to the Constitutional Court, asking it to rule on the legality of the actions of the federal authorities in ignoring the opinion of other authorities—in this case, Moscow. Among other things, the Ministry of Internal Affairs, after verbally agreeing to it, still has not decided the issue of Pankratov's new status. I proposed to appoint him deputy mayor in charge of coordination of law enforcement organs operations. But Viktor Fedorovich Yerin, citing his involvement in the Chechnya problem, put this problem in a deep drawer.

As for Nikolay Vasilyevich Kulikov, he was appointed to Pankratov's former job on the recommendation of the Government of Moscow. **A. Sabov, commentator.** Which capital did you use as a model to emulate in creating the new city management scheme? You have just adopted the Moscow charter, not a constitution. You are the mayor, but at the same time you are chairman of the government. There are certain contradictions. The mayor is an elected official, while the chairman of the government.... **Yu. Luzhkov.** (laughs) ....is appointed by the mayor. **A. Sabov.** Judging by this, you appointed yourself. I think nothing like this exists elsewhere in the world. And on top of this, our constitution recognizes five levels of authority. There are oblasts and krays; there are republics; there is even an autonomous oblast—Yevreyskaya; and there are two cities of federal significance—Moscow and Leningrad, which have succeeded in obtaining special preferences for themselves. Where in the world does this exist, where did it come from, and does not this polyphony of federation components bring a danger of break-up into the political picture of Russia? **Yu. Luzhkov.** What structures did we copy ours from? None. But we did analyze the administrative systems of major cities and capitals, and researched how capital city functions are carried out in 68 capitals of the world. This was done back under Gavriil Popov. This was a very sound piece of work. And as a result, a system was born, which continues to live. It is not cut in stone. Speaking of outward similarity, the Moscow administrative structure resembles that of Paris. They also have prefectures and a mayoralty. But the mayoralty and the Government of Moscow's responsibilities, obligations, and, accordingly, functions are greater by an order of magnitude than those of the Paris mayoralty. For instance, former Mayor of Paris Chirac did not have to get involved in tobacco supplies for the city. We went through the tobacco crisis in 1991-92. The mayor of Moscow still has to get involved in produce supplies and cannot relinquish control over de-

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liveries, because he is afraid for his fate, which may be adversely affected by tomatoes and cucumbers.

Second. You say that there is a logical controversy in how the problem of appointing the chairman of the government and the mayor is dealt with. Just remember that I became mayor after being appointed chairman of the government. At the insistent recommendation of the Government of Moscow, we decided not to change the previously existing scheme of personnel appointments.

Now about the charter. For the first time, we adopted a constitution for the city. The point is not what it is called—it is the fact that from an experimental regime of forming organs of authority we finally made a soft transition, without any complications, to a legitimized system of organizing the authorities. The charter changes a lot of things. Few have noticed it yet, but it envisages the creation of rayon councils, electability of rayon councilmen, appointment of the head or chief— this terminology has not settled yet, we will see later—and the mayor can no longer make these appointments without the concurrence of these councilmen, deputies, and local self-government organs. This is very different from what we currently have. We currently do not have elected organs at the rayon or municipal district level. We must try to introduce democracy into our life as society becomes ready for it, not by spurts or attacks. And in this respect the charter, the constitution of Moscow, is a very natural step forward.

When we adopted the city charter, other cities and oblast immediately requested these materials from us. Which means that this is a topical issue.

In sharing our so far limited experience, however, we always emphasize that we categorically reject separatism—first and foremost regional separatism. Moscow has always served as the foremost gatherer and unificator of Russian lands. And therefore Moscow will be the last one to put a final period on the division of the Russian state. We will not take a single step in the direction of centrifugal forces. Therefore, the charter is not in conflict with the RF Constitution and the principles of unity and statehood of the Russian Federation. If you recall, when there was a difficult situation in Chechnya, I was asked how I felt about these events. I said that I had ambiguous feelings. Yes, the requirement of integrity of the Russian Federation demanded decisive action from us. But the barbaric way in which these actions were implemented makes me say that instead of an internist, not even a surgeon but a butcher was at work here. And therefore, my attitude was this: It was necessary to take measures with respect to Chechnya, but earlier, and different ones.

Cathedral as a Priority Capitalist Construction Project Yu. Solomonov, deputy editor in chief. Yuriy Mikhaylovich, the construction on the Christ the Savior Cathedral in Moscow is proceeding currently at a truly accelerated pace. Do you seriously think that building this cathedral will immediately solve the problem of social accord? I was prompted to ask this by how fervently you jumped into this construction project of the century.... Yu. Luzhkov. Let me reply right away on the subject of fervor. If you do something, you do it with fervor. Regarding accelerated pace.... This is a normal pace for a monolithic construction. A regular normal pace of construction for monolithic structures. The bewilderment stems from illiteracy regarding construction matters.

I am not a mystic, and life has taught me to be a realist, perhaps even a super-realist—without any fantasies. But I believe in this goal.

The restoration of the Christ the Savior Cathedral is only a small part of the overall plan. What is being created there is the Russian Spiritual Center of the Orthodox Faith. This will be a 65,000-square-meter complex. You see, I am translating this into primitive terms. The center will have a museum. Right now, there is no place even to keep, let alone make use of, the books that are an all-people's, national—not only church—treasure. Yes, there will be a parking lot. So what? These days people come in cars even to pray. There will be eateries in the corners of the complex, where anybody who wishes will be able to taste the old Russian cuisine, monastery food eaten by the monks. By the way, they ate better than we do today. **M. Shakirov, special correspondent.** And what if someone decides to resurrect the Moscow Swimming Pool in some other place? Will you participate in this? **Yu. Luzhkov.** Absolutely. This work has already begun. The project is at the design stage; it is envisaged to allocate the land for it in the Olympic Avenue and Trifonovskaya Street area. The project envisages a huge modern water stadium with beaches and tides. World swimming champion Salnikov is doing this. He is active in the project, and we are helping him.

But I did not finish answering the other question. I believe that the cathedral will become an element in calming society. Along with everything else that is being done in the spiritual sphere. We currently have about 200 functioning churches and a mosque; we are helping the synagogue, building another mosque, and finally, an Islamic spiritual center. **I. Rishina, desk chief.** Despite the fact that you are a practitioner, an economic manager, I would like to hear your opinion on the election campaign that is getting underway. In your view

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as a practitioner, what are the chances for success for Skokov's movement and General Lebed and Zyuganov who joined him? Against the background of rising rents, rising costs fro transportation and municipal services, what are the chances of Skokov, Lebed, and Zyuganov's movement? **A. Udaltsov.** Yuriy Mikhaylovich, perhaps a little broader on the elections. How can one explain that your first deputy V. Resin is a member of the Russia Is Our Home movement, and you are not?

Yu. Luzhkov. Please, do not think that I am being coy—but why don't you invite Vladimir Iosifovich Resin and ask him about this? Of course, we do not live and work in a vacuum. Although we proclaimed depoliticization of the Government of Moscow, we are not indifferent to what is happening in politics. I believe that first we have to create conditions for decent life and only then talk about political goals. Speaking of my personal appraisal, I think the democrats will have a hard time in the upcoming elections. These difficulties will manifest themselves the least here, in Moscow, precisely because Moscow is going through a process of active economic transformations; a middle class is developing. This will have an effect on the election results—the democratic parties will get more support here. But at the same time, radical democrats such as Gaydar—whom Chubays left in good time—will get the least support. Neither will radicals of the Anpilov type get much support.

I think that the bulk of future deputies will be more "red," with a shade of social democracy—that is, pink. **L. Velikanova, desk chief.** There was this wonderful action taken on the eve of the 50-year Victory anniversary—all veterans on the waiting lists in Moscow received apartments.

But yesterday I learned that there is one limitation. They did get the apartments, but it turns out they do not have the right to privatize them for five years. I do not know what reason is behind this. The veterans are unanimous in their opinion now: They are old people, they say, and the government hopes that within five years they will all die and all the apartments will revert to the authorities instead of being transferred to the veterans' children. **Yu. Luzhkov.** There is a general rule. This has nothing to do with veterans, so please do not suspect the government of ugly intentions. There is a general provision that any family on the waiting list that receives municipal housing in the city cannot privatize it for five years. Why? Because people sell it right away. We give apartments to those apparently in the most acute need, and they privatize them in a month or two and immediately sell them. Apparently, not everybody had such an acute need, is this it? Still, you asked an important question. We will give veterans a special opportunity to privatize their housing upon receiving it....

GAI Role in Budennovsk Tragedy Examined

954F2937A Moscow MOSCOW NEWS in English 7-13 Jul 95 No 26, p 13

[Article by Leonid Nikitinsky: "Budyonnovsk: The GAI Version"]

[FBIS Transcribed Text] The first response to the bloody events in Budyonnovsk came in the shape of accusations levelled at the State Traffic Inspectorate (abbreviated in Russian as GAI).

The Prosecutor's Office is carrying out an investigation, and it alone will give the final answers to all questions, including those linked to omissions in GAI's actions. On the other hand, the Main Department of the State Traffic Inspectorate of the Ministry of Internal Affairs (MVD) has already carried out its own check for the purpose primarily of preventing a repetition of such events. Vladimir Timoshin, first deputy chief of this department, and Dmitry Chuchuyev, section chief who went to the site of the incident, replied to questions posed by our correspondent.

How were the three KAMaz trucks, on which the bulk of the terrorists evidently penetrated Budyonnovsk, able to drive in broad daylight for nearly 150 kilometers over the roads of the Stavropol Territory?

So far we have been unable pinpoint where this column crossed the boundary of the Stavropol Territory [sentence as published]. Basayev's column probably got in from Daghestan. It was first noticed at the militia's checkpoint in the Zaterechny settlement on the Georgiyevsk-Kaspiisk motor road. A joint watch was maintained by the personnel of GAI and a special militia unit (OMON). The column of three KAMaz trucks and a Zhiguli car drove with their headlights on between 9 and 9:30 in the morning. This time span evidently was chosen not by chance: it is at this time that the watch at the post was relieved every day, and the terrorists were able to take advantage of the fact that the personnel's attention was distracted. Although those who followed in the column presented no documents, the personnel of the post were satisfied with the oral explanation of the "militiamen" who accompanied it, saying that they were transporting Cargo No. 200, the bodies of fallen Russian soldiers, to Rostov.

What were the gunmen's motor vehicles like?

At present the motor vehicles, which the terrorists used to arrive in Budyonnovsk, are being inspected. Since they have no registration number plates, their origin has

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to be ascertained by the numbers on their engines and chassis, which is feasible but not always simple. For the time being it has been found out that the white Zhiguli car of the 6th model with a primitively painted blue belt and a siren light, which made them look like a GAI car, was previously stolen in one of Russia's inner regions.

Is it possible that such a rude masquerade attracted no attention?

The men in the Zhiguli car wore the militia's official uniforms, looked like Slavs and spoke without any accent. This may be considered to be ascertained by the evidence of all of surviving staff members whom they contacted. This does not absolve the personnel of the militia's checkpoint in Zaterechny, who displayed negligence, from responsibility, but the effect of the uniform worked. As far as the column is concerned, not even it looked somewhat unusual. Over there many such cars drive this way: without number plates, beaten up, crushed — in general, to understand this, there is a need to go and take a look at the situation. In contrast to the capital, front-line districts are poorly equipped with authentic militia motor vehicles, which is why a primitively painted car with a self-made siren light is not unusual.

How many GAI posts did the column pass by on its way from Zaterechny to Budyonnovsk?

It is aggravating to speak about this, but according to the information available today, for various reasons there happened to be not a single post on this leg. They did not manage to build stationary posts, and mobile ones have no water, no electricity and, incidentally, no means of protection. The crews which should have been on duty that day at different points on the route were at training exercises, which are carried out weekly on Wednesdays — something which the terrorists evidently also knew about.

Shamil Basayev said that the group's objective was to make its way to Moscow and that this plan failed solely due to the greed of GAI people: three thousand dollars in bribes took him only as far as Budyonnovsk. Legends are being circulated about the graft of front-line inspectors who rob every passing car but let KAMaz trucks with gunmen pass by.

As far as extortions are concerned, you must cite concrete facts, then we shall investigate. "Legends" are not something to talk about, although we too are well aware that our ranks are littered with bribe-takers. However, besides Basayev's unsubstantiated statements there are no data testifying to GAI's personnel having been bribed at the moment of the column's passage. You will agree that, given the method of camouflage which the terrorists had chosen, the handing out of bribes at the posts is unlikely: where did you see militiamen giving bribes to other militiamen? Such an attempt would immediately have exposed the entire masquerade.

Thus, the column of terrorists, despite the demand to halt, entered Budyonnovsk. What were GAI's subsequent actions?

Before entry into the city there is a stationary GAI post where three staff members were on duty. They can only leave their post in the event of emergency circumstances, of which there was as yet no evidence. However, information regarding the column was immediately transmitted over the radio to the unit on duty. At that time four mobile posts were keeping watch in the city, including the motor vehicle of the platoon leader. An instruction to hold back the column was transmitted to the crew of two members which was the closet on the route. This detail began pursuit and, having left behind the KAMaz trucks, overtook the Zhiguli car on Kochubei Street shortly after the turn toward the Budyonnovsk Municipal Hospital. A tussle started, while moving, between the real and sham militiamen through the open windows of both cars. Those who drove in the Zhiguli continued to claim that the column was carrying Cargo No. 200 to Rostov and could not stop without an order from the senior commander who was in one of the KAMaz trucks without a radio. However, at that moment, as it became clear later, the column of terrorists continued to move already on two, not three trucks: distracted by the conversation, our men failed to notice how the last truck turned toward the hospital.

This crew reported additional information to the district department of internal affairs, from where an order to halt the column was transmitted over the radio to the post at the exit from Budyonnovsk roughly four kilometers beyond the city's boundary on the Pyatigorsk-Mineralniye Vody Highway. Here a watch was kept in a Moskvich car by Sergeant Gennady Gerasimenko and probationer Stanislav Chepurkin. It is they that were at last able to bring the column to a halt. Also at that time the post was approached in a Zhiguli car by Senior Lieutenant Yuri Popov, the platoon leader who knew about the goings-on from radio exchanges.

Inasmuch as all the above-mentioned staffers died, we know about the content of their talks with the sham militiamen solely from what was transmitted over the radio to the district militia station. Popov reported that, as before, the men in the column presented no documents and refused to present the cargo for examination, yet they were ready to head for the district station to discuss the matter with the higher-ups. Today we will hardly learn who was the first to suggest going

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to the district department of internal affairs —the GAI men or the terrorists. Popov in the Zhiguli headed the column on the way back to the city. Gerasimenko and Chepurkin brought up its rear in the Moskvich.

The last information received on the air was the report that the rear KAMaz was braking and stopping. Both GAI motor vehicles were fired on by the gunmen who simultaneously jumped out from the tents of the two KAMaz trucks. In all probability, prior to this they maintained communication between themselves in the trucks over the radio. You know what happened later. On that day another five GAI men were killed in Budyonnovsk besides Popov. Gerasimenko and Chepurkin, and two were severely wounded.

Had the column not been stopped by the GAI people in Budyonnovsk, other inhabited localities could have fallen victim to terrorist acts on the route all the way to Pyatigorsk or the airport in Mineralniye Vody.

'Islamic' Electoral Association Formed

954F2950A Nalchik SEVERNYY KAVKAZ in Russian 29 Jul 95 p 5

[Interview with Geydar Dzhemal, leader of the Islamic Committee, by unidentified SEVERNYY KAVKAZ correspondent, under the "Elections" heading; place and date not given: "Muslims Want To Make Policy With Clean Hands"]

[FBIS Translated Text] On 10 June, the program "Vesti" showed a report on the press conference of the new Islamic Committee electoral association. We asked one of the leaders of the Islamic Committee, Geydar Dzhemal, to speak about the new association, which is counting on attracting the votes of millions of Muslim voters at future elections.

[SEVERNYY KAVKAZ] What does the name Islamic Committee signify?

[Dzhemal] The Committee is not a party, not a movement. It is an association of voters that counts on the support of movements, parties, and public organizations existing in the Muslim regions of the Russian Federation.

In December, at the parliamentary elections, each republic will nominate its candidates from its territory. However, there also remain the elections by party list. As you know, if the list of one or another party gathers more than 5 percent of the votes across all of Russia, then that organization has the right to send its deputies to the Duma—from 12 up, depending on the number of votes garnered. And here we see a good chance for the Islamic Committee. We will find an ally among the Russian electoral associations and will require of it in exchange for support in December that it take upon itself certain obligations with respect to the defense of the interests of the Muslim community of the Russian Federation and include our candidates on its list. We want to be, if you will, a brain trust, an intellectual headquarters of Muslim political activity in Russia.

[SEVERNYY KAVKAZ] But do the deputies from the regions really not defend the interests of Muslim voters sufficiently?

[Dzhemal] Last winter, a day before the beginning of the Chechen war, when Yeltsin had gone into the hospital and it was clear to everyone that the beginning of the invasion was a matter of a few hours, my friends tried to call the deputies, but they were not able to get hold of anyone. Sergey Yushenkov had "caught a cold".... Yabloko, almost to a man, ran off abroad. Great masses of people suddenly remembered pressing business in their okrugs. In short, everyone scattered. Afterward, they all came out with protests against the use of armed force, but it was already too late. If at that moment the regional deputies had coordinated their activity, who knows, maybe they would have managed to avert the war....

We would like to take upon ourselves the task of coordinating the actions of deputies elected from Muslim republics. We need a Muslim faction in the State Duma.

There is also another task. Muslims populate not only those regions where they constitute a majority. Hundreds of thousands live in Moscow, St. Petersburg, Siberia. Lately in Russia, parties have appeared that advance dangerous slogans. For them, Islam is an adversary. They believe that the republics that are components of the Russian Federation have received too many rights, and that it is time to put them in their place, turning them into ordinary "provinces." We must also tell Muslims about their enemies, to whom they must under no circumstances give their votes, whatever the phrases they might hide behind.

I remember Vladimir Zhirinovskiy's speech a year ago at Moscow University. He was asked, "Do you always tell the truth to your constituents?" He replied, "Not always. Sometimes for the good of the cause, I have to lie. For example, I am asked by representatives of national minorities: After your victory, will you give us sovereignty? I tell them, of course! But I am thinking to myself, never in this life!"

[SEVERNYY KAVKAZ] To what extent, in your opinion, are the interests of Muslims taken into account by the Russian leadership?

[Dzhemal] To an insufficient extent, we believe. This concerns both questions of domestic and foreign policy.

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As a result of the insufficiently considered nationalities policy in Chechnya, civil war is continuing, and the breeding grounds of other conflicts in the Northern Caucasus are smoldering, likewise threatening to lead to much bloodshed. In the center of Russia, we do not feel ourselves to be protected in the face of arbitrariness on the part of law enforcement agencies and other bureaucrats.

We cannot be satisfied with the way in which relations are being built between Russia and a number of countries of the near abroad, first of all with Tajikistan and Azerbaijan, where the Russian Federation could realistically be a guarantor of peace and stability. We believe that in the far abroad, as a result of the implementation of a more independent and reasonable policy, Russia could have restored lost positions in its relations with countries of the Muslim world.

[SEVERNYY KAVKAZ] How does the Islamic Committee view the problem of the unity of the Russian Federation?

[Dzhemal] We do not intend to whip up centrifugal tendencies. Whether this is good or bad, we are now fated to live within the structure of a single state. Separating out the Muslim republics is the way into a blind alley. Suffice it to look at the CIS countries, which have been blessed with independence. It is another question that the Federation in its present form, if the policy of its leadership does not change, threatens to disintegrate of its own accord.

If Russia considers itself a shield for the West against an Islamic threat, collapse awaits it. But if it is able to liberate itself from Western dependence and from archaic imperialistic traditions, from Moscow centrism, it has a great future.

Incidentally, if we have begun to talk of separatism, we are against the double standard in Russian policy. Over the course of the past years, we have seen a surprising situation: In Moscow, they have welcomed separatism beyond Russia's borders (in Georgia, Azerbaijan, Kazakhstan, and so on—everywhere where it has seemed advantageous to Russian politicians) and have taken an extremely negative view of demands for independence on the part of Russian Federation components.

[SEVERNYY KAVKAZ] What has been the attitude of the clergy to your undertaking?

[Dzhemal] The Islamic Committee intends to be guided in its activity by those people who enjoy influence and respect in the Muslim community, both those who occupy official posts and those who do not, by the leaders of a number of national parties and movements, businessmen, cultural figures, and, of course, religious leaders. One of the most respected imams in the Volga region, Sheykh Mukkadas Hajji Bibarsov, is a member of the committee. We are also open to searching for supporters among parties and movements whose members belong to other faiths.

[SEVERNYY KAVKAZ] If your supporters are elected to parliament, which draft laws do you propose to consider first of all?

[Dzhemal] There are many of them. But, possibly, some of the most urgent are laws directed at the protection of human rights. Why do people in camouflage in downtown Moscow consider it their right to hunt down people who have come from the Caucasus, for example? Why, when registration has been formally abolished, do the authorities in the Russian regions continue to demand it, threatening expulsion otherwise?

But our activity will have a much broader character. For example, we will be able to promote the attraction into our economy of investments from countries of the Muslim world.

[SEVERNYY KAVKAZ] Why is it precisely you who can attract investments from the East?

[Dzhemal] When people talk about Near East money, they mean first of all petrodollars. But the countries of the Persian Gulf, where the petrodollars are concentrated, are under the strong influence of the United States. And if in the West they do not want them to be invested in Russia, then they will not be. But in the Islamic world there are also other capitals.

[SEVERNYY KAVKAZ] And a final question. Tell us a little about yourself.

[Dzhemal] I was born in 1947 in Moscow, into an Azerbaijani family with long-standing cultural ties with Russia. I studied at an Eastern languages institute. In the 1970's I did not work anywhere; I wrote works on philosophy. In 1990, I took part in the creation of the Islamic Revival Party, and subsequently became its deputy chairman. I completed the hajj. My main desire is to bring into politics Muslims who would make policy with clean hands. This does not mean that they should be naive—no, they need to know about all the evil of the world. But they should lead the struggle not according to precepts of Machiavelli, but in conformity with the requirements of Islam.

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Regional Affairs

Irkutsk Oblast Unemployment Assessed

954F2954A Irkutsk RUSSKIY VOSTOK in Russian Jul 95 No 15, p 1

[Article by Vladimir Maksimov of the press center of the Derzhava sociopolitical movement: "One in Four Will Be Unemployed"]

[FBIS Translated Text]

[begin box] A meeting was held at the Irkutsk Technology House between representatives of the City Employment Center and city Duma deputies and the most humbled and put-down stratum of our society—the unemployed.

A ghost is wondering around Russia....

The ghost of unemployment....
"One in four will be unemployed...."

Such is the prediction of State Duma Deputy Sergey Glazyev, and I am afraid it may, alas, become reality, since so far we are not seeing any decline in the unemployment rate. [end box]

As of now there are already more than 5.7 million unemployed people, or 7 percent of the work-eligible population, in our long- suffering motherland, once again maimed by yet another round of "revolutionary reforms" and no less revolutionary reformers. I want to remind you that for a country of any economic might, unemployment exceeding 4 percent is considered runaway and catastrophic.

In our country, on the other hand, in some regions this indicator is several times higher. For instance, in Ivanovo—"the city of brides," as Andrey Mironov's popular song went in the not too distant past—this indicator is hitting the 30 percent mark!

Of course, we could console ourselves with the thought that in some places unemployment is high, while in the others it is low. Alas, we do not have even this paltry consolation left, since the metastases of unemployment have permeated not only all societal strata but also all regions of our huge country, across which man no longer "walks like a master of his boundless motherland" but instead drags himself as a supplicant, shoulders hunched and eyes downcast, for another miserly handout—the unemployment allowance.

So far this unstoppable tidal wave of continuously rising unemployment has not overcome our region. Although here, too, the waves that daily hit the Irkutsk City Employment Center [ICEC] are not that harmless and small. That is why any ICEC inspector carries a fivefold daily load.

In small facilities, in rooms that are unsuitable for the purpose, at whose doors endless sullen lines form early in the morning, inspectors—who are at the same time expected to be polite and cheery with the numerous visitors—work "in overdrive."

Without question, the issue of giving the ICEC a normal, spacious facility is long overdue.

Also without question, the employment center's staff should be increased right away, so that people would not have to spend days standing in lines degrading to their human dignity.

Moreover, since unemployment is heading up, staff positions should to be added to the center continuously. until the situation in the labor market stabilizes.

* * *

And now a few figures and quotes from the remarks of City Employment Center staff and city Duma deputies present at the meeting.

As of 1 January 1995, 1,657 persons were registered as unemployed; as of 1 June 1995—2,474 persons. Please note that this does not take into account so-called "hidden unemployment"—forced open-ended leave and shortened work weeks. That is, this figure could be considerably higher. And apparently will be quite soon. This was already confirmed indirectly in the remarks of city Duma Deputy B.A. Artemyev.

"I am convinced that very soon we will have to live through runaway unemployment. Strange as it is, this benefits employers. Because a person engaged in production works much better if he knows that there are five or six persons outside the gate of his enterprise vying for his job."

Thus, "Taylor's sweat shop," which squeezes everything out of the working person in order to raise productivity, and which for many years we justifiably denounced, has come to our home too. And the deputies practically acknowledged their impotence in the face of this evil, leaving the staff of various employment centers one on one with unemployment. Who, as one could see from the remarks of Vera Nikolayevna Tatarinova, director of the Irkutsk City Employment Center, are far from idle. They have drafted intersectoral programs for active and passive policy for employment centers.

Passive policy boils down to merely issuing allowances. Active policy includes:

—job fairs (regularly held by the ICEC, by the way);

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—training and retraining of people who have lost their jobs (in 1995, 500 persons have already been retrained);

—organizing public works;

—making subsidies available to persons opening their own business or, in a broader sense, "for active entrepreneurial activities" (such subsidies can go as high as the total 12 months worth of unemployment benefits);

—financial aid for the creation of additional and preservation of existing jobs (for these noble goals the employment center already has spent more than 1 billion rubles [R]);

—organizing temporary, summer jobs for the population, including college and grade school students.

By the way, I want to point out that a student working no more than four hours a day is paid up to R100,000 or more. While an employment center employee with a college degree, working under tremendous physical and psychological stress, is paid about R300,000. Of course, this question is long overdue for review by the city Duma in the direction of raising the salaries of all employment center staff.

And another point to which I would like to attract our Duma members' attention.

Is it not time to seriously look into the question of allocating substantial benefits, stipends, and whatever else they may be called, to our, so to say, creative intelligentsia? Because artists, writers, and poets, creating not only material values (huge, by the way, from the transfer of books or selling paintings), but mainly spiritual values, also are practically unemployed. And are compelled, in order to earn their daily bread—even without any butter—to make extra money anywhere and in any capacity.

At the same time, we constantly hear from our deputies, from city to state level, especially democrats-reformists, that they are doing everything possible to ensure our people live as they do "in civilized countries." They have even managed to build "initial, wild capitalism" in our country. And this was confirmed, by the way, by city Duma Deputy Artemyev in his remarks.

This is what I do not understand, however. If you have decided to emulate the West, why is it that our emulation is limited only to everything disgusting that exists in the West? Unemployment, lack of confidence in tomorrow, and sharp (not at all like in the West) stratification into the very poor and the very rich.

Why not take something good from the West too?

For instance, in Germany all a creative person has to do is present to the magistrate two of his paintings or two or three published short stories, and he can count on benefits permitting him not only to live care free but also—and most importantly—to create.

I am afraid, however, that our current writers and artists, or even their grandchildren, will not live to see this.

"We have a different mentality," some deputy will say nonsensically. "For us it is important not to develop the divine spark (talent) but to extinguish it. Spiritless fools are easier to govern."

"Absolutely so," I will have to agree.

Irkutsk Oblast Electoral Commission

954F2922A Irkutsk VOSTOCHNO-SIBIRSKAYA PRAVDA in Russian 25 Jul 95 p 3

["Decree on the Law of Irkutsk Oblast 'Concerning the Electoral Commission of Irkutsk Oblast'" and "Law of Irkutsk Oblast 'Concerning the Electoral Commission of Irkutsk Oblast'"]

[FBIS Translated Text]

Decree on the Law of Irkutsk Oblast 'Concerning the Electoral Commission of Irkutsk Oblast'

Having examined the draft Law of Irkutsk Oblast "Concerning the Electoral Commission of Irkutsk Oblast," in accordance with Article 50 of the regulations, the Legislative Assembly decrees:

1. To adopt the Law of Irkutsk Oblast "Concerning the Electoral Commission of Irkutsk Oblast."

2. To dispatch the Law to the governor of the oblast, Yu.A. Nozhikov, for signing.

[Signed] Chairman of the Legislative Assembly I.Z. Zelent.

Law of Irkutsk Oblast 'Concerning the Electoral Commission of Irkutsk Oblast'

Section 1

GENERAL PROVISIONS

Article 1. LEGAL BASIS

The Electoral Commission of Irkutsk Oblast (hereafter in the text—the Commission) is formed in accordance with the laws of the Russian Federation "Concerning the Basic Guarantees of the Voting Rights of Citizens of the Russian Federation," "Concerning the Elections of the President of the Russian Federation," and other federal oblast laws for the preparation, organization, and conduct of elections of the president of the Russian Federation and of deputies of the State Duma of the

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Federal Assembly of the Russian Federation to other federal state organs stipulated by the Constitution of the Russian Federation and elected directly by citizens of the Russian Federation, of elections of organs of state authority and of referendums of Irkutsk Oblast, and also for rendering methodic assistance and coordination of the activity of electoral commissions for elections to organs of local self- government.

Article 2. COMMISSION COMPOSITION AND FORMATION

1. The Electoral Commission consists of 14 members with the right of deciding vote.

2. The formation of the Commission is carried out by the legislative (representative) and executive organs of state authority of the oblast, taking into account the proposals of public associations, the electoral organs of local self-government, assemblies of voters at their places of work, service, training, and residence, and representations from various territories of the oblast. In addition, seven members of the Commission are appointed by the Legislative Assembly and the governor of the oblast.

3. Candidates for deputy of the State Duma of the Federal Assembly of the Russian Federation, candidates for deputy of the Legislative Assembly of the oblast, candidates for the position of governor of the oblast, or for electoral organs of local self- government, their proxies, wives, and the close relatives of candidates, and also persons who are directly subordinate to them, cannot join the staff of the Electoral Commission.

In case of the emergence of the indicated circumstances, a member of the electoral commission submits a written statement to the organ that appointed him concerning his resignation.

Article 3. ELECTIONS OF THE CHAIRMAN, DEPUTIES, AND THE SECRETARY OF THE COMMISSION

1. Members of the Commission at its first meeting by secret ballot elect from among their staff a chairman, deputy chairmen, and the secretary of the Commission. The chairman and the secretary of the Electoral Commission, as a rule, must have a higher legal education.

2. Recommendations concerning candidates nominated for election as chairman and secretary of the Electoral Commission can be made by the Legislative Assembly, the governor of the oblast, and directly by each of the members of the Commission. At the same time, the chairman of the Legislative Assembly and the governor, and also other persons authorized by them, have a right to be present at the first meeting of the Commission.

Article 4. EARLY TERMINATION OF THE POWERS OF MEMBERS OF THE COMMISSION

A member of the Electoral Commission with the right of deciding vote can be released from his duties before the expiration of a term of office on a decision of the organ that appointed him in cases of:

—a written statement of a member of the Commission concerning the relinquishment of his powers;

—loss by a member of the Commission of his citizenship in the Russian Federation;

—legal enforcement of a guilty verdict by a court with respect to a member of the Commission;

—recognition of a member of the Commission by court decision, which has been put into force, as incapable, or of limited capability.

The appointment of a new member of the Commission to replace the one who has left is carried out by decision of the appropriate organ of state authority of the oblast.

Article 5. MEMBERS OF THE COMMISSION WITH THE RIGHT OF DELIBERATIVE VOTE

1. In accordance with federal and oblast laws and other normative acts of the oblast each electoral association that nominates a candidate (list of candidates), and each candidate after registration, has the right to appoint to the Electoral Commission (if it has registered the indicated candidates) one of the members of the Commission with the right of deliberative vote.

2. The powers of members of the Commission with the right of deliberative vote in cases where the candidates, or the electoral associations that appointed them, received deputy mandates, continue until the expiration of the period of registration of candidates to the next elections to the same organ, or to the same position; the powers of other members of the Commission with a deliberative vote are suspended within 30 days after the publication of the general results of the elections.

Section II

STATUS OF THE COMMISSION

Article 6. STATUS OF THE COMMISSION

The Electoral Commission is a legal entity, with its own statement of assets and liabilities, a settlement account in a bank, and a round seal and stamp. The Commission has separate property under its operational management, it can in its own name acquire and implement property and nonproperty rights in accordance with legislation, bear responsibility, and be a plaintiff and defendant in court and in a court of arbitration.

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Article 7. INDEPENDENCE OF THE COMMISSION

During the preparation and conduct of elections and referendums, the Electoral Commission within the limits of its jurisdiction, established by federal law and laws and other normative legal acts of the oblast, is independent of state organs and organs of local self-government.

Article 8. OBLIGATORY NATURE OF COMMISSION DECISIONS

Decisions of the Electoral Commission adopted within the limits of its jurisdiction are obligatory for organs of state authority and local self-government, public associations, enterprises, institutions, organizations, and officials, and also for other Electoral Commissions in the oblast.

Article 9. ASSISTANCE IN THE WORK OF THE COMMISSION

State organs, organs of local self-government, public associations, enterprises, institutions and organizations, and also their officials, are obliged to render the Electoral Commission assistance in the implementation of its powers, including on a remunerative basis to grant necessary premises, transport, communications resources, technical equipment, and also to provide information and materials, to give answers to its appeals in a 15- day period, and five days before the election and on the day of elections—immediately.

Section III

POWERS OF THE COMMISSION

Article 10. POWERS OF THE COMMISSION DURING THE CONDUCT OF ELECTIONS TO FEDERAL ORGANS OF STATE AUTHORITY OF THE RUSSIAN FEDERATION

The Electoral Commission, ensuring the preparation and conduct of elections on the territory of the oblast to federal organs of state authority and to other federal state organs stipulated by the Constitution of the Russian Federation, and also of referendums of the Russian Federation:

—registers candidates and their proxies;

—implements coordination of the activities of Electoral Commissions at all levels and renders them methodic and organizational-technical assistance, and explains the nonnormative nature regarding the employment of appropriate laws on elections;

—implements control over observance of the rights of citizens;

—ensures uniform implementation of appropriate federal legislation on the basis of recommendations of the methodic instructions of the Central Electoral Commission of the Russian Federation;

—studies electoral practices and prepares proposals to improve legislation in force on elections (referendums);

—ensures interaction of the Central Electoral Commission of the Russian Federation with organs of state authority of the oblast;

—distributes monetary resources between subordinate Electoral Commissions that are allocated for the preparation and conduct of elections and referendums, ensuring control over the special purpose expenditures of these resources and reports to the Central Electoral Commission of the Russian Federation on use of the resources assigned to it;

—implements control over the timeliness of publication of information in the mass media by district Electoral Commissions concerning the results of elections by electoral districts;

—monitors the timeliness and completeness of the publication by district Electoral Commissions of information concerning the scale and sources of formation of electoral funds by candidates or electoral associations, and also reports of the candidates or electoral associations regarding all expenditures incurred at the expense of these funds.

—organizes training of Electoral Commissions in the oblast;

—assists implementation of federal programs for raising the legal culture of the voters and the organizers of elections in the Russian Federation;

—examines statements and complaints about the decisions and actions of subordinate Electoral Commissions and gives reasons for the decisions.

Jointly with the Central Electoral Commission of the Russian Federation takes part in the establishment of a national system of voter registration and a single system of summing up the voting and establishing the results of the elections in the Russian Federation "Elections" state automated system.

Executes other powers in accordance with federal laws and instructions of the Central Electoral Commission of the Russian Federation and the laws of the oblast.

Article 11. POWERS OF THE COMMISSION IN THE CONDUCT OF ELECTIONS TO ORGANS OF STATE AUTHORITY AND LOCAL SELF-GOVERNMENT OF THE OBLAST

1. The Electoral Commission in the preparation and conduct of elections to organs of state authority of the

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oblast, referendums of the oblast, and also elections to organs of local self-government, implements powers envisioned in the charter of the oblast that correspond to the laws and normatives of legal acts of the oblast.

2. The Electoral Commission, in supporting the organization and conduct of elections of deputies of the Legislative Assembly of the oblast:

—registers candidates and their proxies;

—establishes the borders of the district and the number of voters in each electoral district, and submits its proposals for ratification by the Legislative Assembly of the oblast;

—manages the work of district Electoral Commissions;

—establishes the forms of electoral ballots, voter lists, and other electoral documents, the procedure for their storage, and models of seals of Electoral Commissions;

—distributes the allotted budget resources for financial support of elections and monitors their special purpose use;

—establishes the results of voting as a whole for the oblast and publishes them in the press, and ensures the transfer of documents associated with the conduct and organization of the elections to the archives;

—ascertains the persons who were elected as deputies and issues them certificates concerning their election;

—compiles a list of persons elected as deputies and transmits the names and documentation needed to verify the powers of the deputies to the Credentials Commission of the Legislative Assembly;

—organizes repeat elections of deputies of the Legislative Assembly;

—hears reports of organs of executive authority in the oblast on questions associated with the preparation and conduct of elections.

3. The Electoral Commission is the same for elections of the Legislative Assembly and the governor of the oblast.

Article 12. TERM OF COMMISSION'S POWERS

The Electoral Commission operates on a permanent basis. Its term of office is four years.

Section IV

ORGANIZATION OF COMMISSION ACTIVITY

Article 13. PLANNING WORK

1. The Electoral Commission conducts its activity in accordance with a plan of work, including measures for the preparation and conduct of elections and referendums.

2. Work plans of the Commission for the preparation and conduct of elections to federal organs of state authority and of referendums of the Russian Federation and for the implementation of federal programs to advance the legal culture of the voters and organizers of elections in the Russian Federation, and also of the state automated "Elections" system, are coordinated with the calender plans of corresponding measures of the Central Electoral Commission of the Russian Federation.

3. Information on the progress of implementation of plans is periodically reviewed at meetings of the Commission.

Article 14. COMMISSION MEETINGS

1. Meetings of the Electoral Commission are convened and conducted by the chairman or on his instructions by the deputy chairman, or by the secretary of the Commission. Meetings are also conducted at the request of not less than one-third of the members of the Commission with the right of deciding vote.

2. The meeting of the Commission is competent if a majority of the total number of members of the Commission with the right of deciding vote participate. In the event of the impossibility of attending a meeting, a Commission member notifies the chairman, or his deputy, or the secretary of the Commission.

Article 15. ADOPTION OF DECISIONS

1. Decisions of the Commission on the election of the chairman, deputy chairman, and secretary of the Commission, registration of candidates (lists of candidates), cancellation of registration of candidates, and declaration of elections as unsuccessful or invalid are adopted at its meetings by a majority of votes from the total number of members of the Commission with the right of deciding vote.

2. In the event of an equal number of votes "for" and "against" in the adoption of decisions, the vote of the chairman of the Commission is decisive.

3. Decisions on complaints received in the course of elections are made in a five-day period, and on the day of the elections— immediately.

4. Decisions of the Commission and protocols of its meetings are signed by the chairman at the corresponding meetings and the secretary of the Commission.

5. Members of the Commission with the right of deciding vote who do not agree with an adopted decision have a right to express their particular opinion in written form, which is filed with the protocol of the meeting.

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6. In the event a decision concerns questions associated with elections to federal organs of state authority and other federal state organs envisioned by the Constitution of the Russian Federation, the particular opinion of a member of the Commission should be brought to the attention of the Central Electoral Commission not later than within a three-day period, and three days before the election—immediately.

Article 16. APPEAL AGAINST DECISIONS AND ACTIONS OF THE COMMISSION

1. Decisions and actions of the Electoral Commission on questions of elections of the president of the Russian Federation and deputies of the State Duma of the Federal Assembly of the Russian Federation that contradict the Constitution of the Russian Federation and federal legislation, or the adoption by the Commission in excess of its authority as defined by federal laws and by the laws and other normative legal acts of the organs of state authority of the oblast, can be appealed in the Central Electoral Commission of the Russian Federation, or the oblast court.

2. Preliminary appeals to the Central Electoral Commission are not a compulsory condition for an appeal to the court.

Article 17. COMMISSION CHAIRMAN

The chairman of the Electoral Commission convenes its meetings and chairs them; assigns duties among members of the Commission for the organization of work to implement its decisions; gives individual instructions to members of the Commission; invites representatives of state organs, organs of local self-government, electoral associations, organizations, officials, and other persons to participate in meetings of the Commission; represents the Commission in relations with state organs, officials, electoral associations, voters, and also in judicial organs; manages the finances, and has the right to hire and fire employees of the Commission staff; and executes other powers provided by federal laws and laws and other normative legal acts of the oblast on elections, and by this law.

The chairman of the Electoral Commission publishes instructions on questions relating to his authority.

Article 18. DEPUTY CHAIRMEN OF THE COMMISSION

The deputy chairman of the Electoral Commission render assistance to the chairman of the Commission in implementation of the powers entrusted to him, and execute his instructions, and in the chairman's absence they perform his functions.

Article 19. COMMISSION SECRETARY

The secretary of the Electoral Commission carries out organizational-technical and documentary support for its meetings; formalizes adopted decisions, protocols of meetings of the Commission, and other acts; organizes the conduct of office work; ensures the safekeeping of Commission documents and their transfer to the archives; and fulfills other instructions of the chairman of the Commission.

Article 20. COMMISSION MEMBERS

1. Members of the Electoral Commission with the right of deciding vote use this right in the adoption of decisions on questions that fall within the jurisdiction of the Commission, implement the instructions of the chairman of the Commission on verification of the work of subordinate Electoral Commissions, and also on other questions associated with the preparation and conduct of elections and referendums, including the conduct of audits of financial documents relating to the formation of electoral funds of candidates and electoral associations and the expenditures made out of these funds.

2. Members of the Commission with the right of deciding and deliberative vote;

—are notified in good time about Commission meetings and meeting agendas, and attend them;

—have a right to speak at meetings of the Commission, make recommendations on questions that are within its jurisdiction, and demand that they be brought to a vote;

—have a right to ask questions of other participants in Commission meetings in accordance with the agenda and to receive answers to them that are to the point;

—have a right to familiarize themselves with any documents and materials.

3. Certificates of a prescribed type are issued to the chairman of the Commission, deputy chairman, secretary, and members of the Commission.

Article 21. GUARANTEES OF THE ACTIVITY OF COMMISSION MEMBERS

1. Commission members with the right of deciding vote are exempt from basic work at the time of elections, and cannot be dismissed from work on the initiative of the administration (the employer) during the preparation and conduct of elections, or transferred to other work without their concurrence.

2. Commission members with voting right during the preparation and conduct of elections cannot be subjected to administrative punishment measures imposed in a judicial procedure.

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Article 22. PRINCIPLES OF ORGANIZATION OF THE WORK OF THE COMMISSION

1. The Electoral Commission builds its work on the basis of frankness, openness, collegiality, and legality.

2. Decisions of the Commission on the results of elections and referendums conducted on the territory of the oblast and other questions that fall within its jurisdiction are published in the press and transmitted to other mass media in periods established by federal laws, and by the laws and other normative legal acts of the oblast. If necessary, the Commission will conduct conferences, meetings, and press conferences on questions that were examined.

3. Candidates, their proxies, and also representatives of those electoral associations whose candidates are registered by an Electoral Commission, representatives of the mass media accredited to the Commission, and also foreign (international) observers can attend.

4. Representatives of interested parties have a right to attend meetings of the Commission during examination of complaints.

Section V

FINANCIAL SUPPORT OF COMMISSION ACTIVITY

Article 23. FINANCING PROCEDURE

1. Financing the activity of the Electoral Commission is accomplished at the expense of resources of the federal and oblast budgets.

2. Expenditures of the Electoral Commission for the preparation and conduct of elections to federal organs of state authority and for the conduct of referendums of the Russian Federation are made at the expense of resources of the federal budget according to an estimate approved by the Central Electoral Commission of the Russian Federation on presentation of the chairman of the Electoral Commission of the oblast.

Resources are allocated from the federal budget for the creation and adoption of the "Elections" state automated system, and also for the federal program for raising the legal culture of the voters and the organizers of elections in the Russian Federation.

3. The administration of the oblast ensures that the necessary premises, technical resources, and communications resources are placed at the disposal of the Electoral Commission rent free, and also that an official motor vehicle is allotted to the Commission.

4. Expenditures of the Electoral Commission for the preparation and conduct of elections of governor of the oblast, deputies of the Legislative Assembly of the oblast, and organs of local self- government are made at the expense of the resources of the oblast budget according to an estimate approved by the Legislative Assembly of the oblast on presentation of the chairman of the Electoral Commission of the oblast and in coordination with the governor of the oblast.

5. Payment for work preformed by members of the Electoral Commission with the right of deciding vote who have been released during the conduct of elections from the main work is accomplished at the expense of resources allocated for the conduct of elections.

Article 24. COMMISSION ORGANIZATION AND STAFF

1. The chairman, one deputy chairman, and the secretary of the Electoral Commission work in the Commission on a staff payment basis. Payment for their work is established within the limits of the budget appropriations allocated to the Commission. The scales of position salaries of the chairman of the Electoral Commission, his deputy, and his secretary are established in accordance with recommendations elaborated by the Central Electoral Commission of the Russian Federation based on the complexity and volume of work accomplished.

2. Within the bounds of the budget appropriations allocated to it, the Electoral Commission has its own organization, whose structure and staff are established by decision of the Commission at rates that equate to corresponding staff units of the administration of the oblast. The estimate of expenditures of the Electoral Commission are included on a separate line in the oblast budget.

3. Medical and everyday living services of members of the Electoral Commission who work on a staff basis, and of employees of the organization of the Commission, are provided by the executive organ of the state authority of the oblast at a level established for corresponding positions of state employees.

Section VI

CONCLUDING PROVISION

Article 25. PROCEDURE FOR PUTTING THE LAW INTO EFFECT

This law goes into effect from the day it is published.

[Signed] Governor of Irkutsk Oblast Yu. Nozhikov

17 June 1995
No. 156

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Economic Issues

*Edict Provides Additional Measures To Protect Shareholders

Bilked Citizens Appeal to Government

954E1221A Moscow ROSSIYSKIYE VESTI-RETSEPT in Russian 3 Aug 95 p 1

[Unattributed report: "Bilked Investors Expect Help from the Authorities—What People Are Writing to the Kremlin About"]

[FBIS Translated Text] Almost 30 million inhabitants of Russia have experienced a severe emotional shock. They suffered from becoming investors in numerous financial-commercial companies. The total damages caused to citizens is counted in the tens of trillions of rubles. There have been 3,500 letters from bilked investors addressed to the RF president since the start of the year.

"In our city more than 100 companies working with the population's capital have flagrantly violated their obligations by completely or partially discontinuing paying out money. Half of them have vanished altogether," a collective letter from St. Petersburg (834 signatures) says.

"Our family invested their savings in 10 joint stock companies, and they all failed. Despite all we did to get the money back, all our efforts proved to be useless." P. Norekyan, Moscow.

People write that they were hoping for a turning point in the situation after the adoption of the procedure whereby unlicensed activity on the financial market was to be stopped even before the end of 1994. But, in the opinion of the authors of many of the letters, this did not happened. In local areas the procedure is constantly being violated. For example, the AO's [joint stock companies] Russkaya nedvizhimost [Russian Real Estate] and Russikiy dom selenga [RDS—Russian Selling House] received temporary authorizations which have in fact expired, but they continue to lure new victims into their nets. After collecting a good deal of money, the supposed finance companies will close down operations abruptly and refuse to fulfill their obligations, claiming that the federal organs are putting up obstacles to their receiving a license. It is a proven method—to blame everything on others.

People write the president and say that in their opinion the law enforcement organs are for some reason not doing their job at all. The actions of many companies fall under articles of the Criminal Code—swindling and causing property loss by deceit or abuse of trust (articles 147 and 148-3). The letters cite cases where the managers disappear with the money collected, but criminal charges are not filed even in those cases. And if they are filed, it is merely a formality.

And what about the judges? Court orders to collect money from debtors are very rarely executed. The reason is that there is no money in the companies' accounts. No matter where you go, no one wants to investigate. Among other instances, investors in the AO RDS from various regions are indignant that writs of execution are being sent to the Gorodishchenskiy Rayon Court in Volgograd Oblast (the current account is there), although the responses coming back say that there has been no money in the account since December 1994. Unsatisfied judgments of more than 10 billion rubles have already accumulated.

A number of letters indicate the suspicion that corrupt officials are participating in the swindles. Why didn't they attach the property of the legal persons who were sued in time? Why did they wait until the unscrupulous entrepreneurs sold all the real estate belonging to them, as happened in Rostov-na-Donu, for example, which P. Bessmertnykh, a resident of that city, wrote about?

In order to protect their interests, the investors are creating initiative groups and committees, holding rallies, and picketing. At times even threats from furious people to resort to acts of civil disobedience are found in the mail. Thus, 300 shareholders of failed commercial structures from the city of Kovrov in Vladimir Oblast are threatening to shut down railroad traffic on the Moscow-Nizhniy Novgorod line.

Many letters emphasize that millions of bilked shareholders will take their stand in the forthcoming elections according to what measures the authorities take to solve their problems. In this regard they make these demands and proposals:

—clarify the legality and prospects for activity of joint stock companies and decide the question of licensing them quickly;

—speed up passage of the law "On the Securities Market," which envisions norms for direct action to stop swindling by private firms for the purpose of getting ahold of citizens' monetary capital.

Edict Assessed

954E1221B Moscow ROSSIYSKIYE VESTI in Russian 3 Aug 95 p 1

[Unattributed report: "... And the State Protects Them from Dishonest Business—A Decision Has Been Made"]

[FBIS Translated Text]

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Last week the president of the RF, Boris Yeltsin, signed the Edict "On Additional Measures To Ensure Shareholders' Rights." This is a major obstacle to the actions of all those who build financial pyramids. The Edict is focused on protecting investors of numerous companies and firms involved in collecting the population's capital.

For example, it envisions joint liability of the primary economic companies and subsidiary joint stock companies. The timeliness of this measure is unquestionable. As is well-known, the rich concern Germes immediately disowned the obligations of its subsidiary firm Germes-Finans when the latter stopped issuing payments and dividends. The head of the concern, V Neverov, said right out that he did not intend to use his own resources to repay the savings frozen in Germes-Finans. In his opinion, the country's leaders must assume responsibility for the moral and material loss which the investors incurred.

The state does not have the money to settle any debts, with the exception of the debts of those companies where it has a share in their capital. But it is the state's duty to put an end to the chaos in this area.

The RF president's Edict at last fills the legal vacuum formed as a result of the fact that the State Duma has been unable to adopt the RF law "On Joint Stock Companies" for almost a year now. The Edict envisions, for example, the possibility of ordinary shareholders controlling the activity of the AO leadership. Thus, in preparation for the annual meeting, each shareholder must be given for study a draft of the annual report and the findings of the inspector and independent auditor on the results of the audit of the AO's financial-economic activity. The Edict also fixes every shareholder's unconditional right to participate in the general meeting.

"Secrecy" in relation to its own shareholders is the most common violation in AO activity. Now, according to the president's Edict, the council of directors is required to inform shareholders of the holding of the general meeting either in writing or by publishing an announcement in the mass information media.

Critics of the Edict have already appeared; they say that it provides too broad rights for shareholders. Of course, that is not so. The managers of privatized enterprises who are accustomed to disposing of state property in secret are trying to do the same thing with joint stock property, thereby violating the rights of co-owners. The Edict is supposed to put an end to this bad practice and bring relations between ordinary shareholders and management into the mainstream of business-like, constructive cooperation.

***Share Investment Funds Created To Attract, Protect Investors**

954E1223A Moscow ROSSIYSKIYE VESTI in Russian 2 Aug 95 p 3

[Article by Igor Sergeyev under the rubric "Market Conditions": "The Securities Market: The SIF as Opposed to MMM"]

[FBIS Translated Text] The president of the RF signed the Edict "On Additional Measures To Increase the Effectiveness of Investment Policy in the Russian Federation," which envisions the creation of investment institutions which are fundamentally new to Russia, institutions called "share investment funds" (SIF).

The state lost the year 1994 in the struggle for the population's monetary means. Russian citizens who believed the aggressive advertising invested in numerous financial companies like MMM, Russkaya nedvizhimost [Russian Real Estate], and the Khoprov Group. In addition to high interest, they promised the opportunity, so attractive to citizens, to get their money back at any time with appreciation. But upon inspection these promises proved to be a bluff, and more than 60 million of our fellow citizens found themselves victims of the firms' swindling to one degree or another.

The appearance of the new investment institutions—SIF's, in the opinion of the head of the executive directorate of the Federal Commission on Securities and the Stock Market under the RF Government, Dmitriy Vasilyev, is one of the most basic steps in the development of the domestic securities market. And with their establishment, our backwardness relative to the world stock market is substantially reduced. For share (or mutual) funds appeared abroad back in the 1920s. And they have proven their effectiveness during 70 years of development.

What advantage do SIF's offer the investor over other similar mutual funds (over the ChIF's [check investment funds] which appeared during privatization, for example)? The main thing is that the SIF's managing company is required to buy back the shares issued whenever the shareholders demand it. In this way the investors receive, from the very start, guarantees of the liquidity of the securities they have acquired.

Moreover, the double taxation which exists in check investment funds is precluded in share funds. The point is that share funds are not legal persons. In form they are a property complex which arises as a result of the managing company issuing registered securities—investment shares. And since that is true, when it receives dividends from enterprises, the SIF, since it is not a legal person, does not pay tax on profits. This

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makes it possible for investors who pay the tax on profit themselves directly to obtain more capital.

Of course, an SIF will not promise 300-400 percent annual interest as the swindler firms did. An SIF will pay a realistic interest rate. If, for example, the fund's assets increased by 10 percent over a month, if the investor so desires, his share will be returned with appreciation of 10 percent. In short, whatever the managing company has earned during this time is what the shareholders receive.

So the creation of share investment funds will be a real step by the Government in the cause of protecting Russian citizens' savings. It is a preventive measure against the pressure of the free money Russian citizens have in their hands which in the autumn may fall upon the financial market in a total of more than 20 billion dollars. SIF's, along with specialized monetary auctions, housing certificates, and GKO's [short-term government bonds] for the population which the Ministry of Finance is developing, are conceived as a real counterweight to the fall inflation spiral which has gathered momentum in Russia in the last 3 years. At the same time, however, for the thoughtful investor, SIF's should be a real counterweight to those who "were here yesterday, are here now, and will be here tomorrow." They were, are, and will be there, fleecing Russian citizens like gullible fools.

Incidentally, is there a guarantee that swindlers cannot work under the name of SIF's? In answering this question, Dmitriy Vasilyev explained: "Before investing your capital, find out if there is a share investment fund emission prospectus registered at the Federal Commission on Securities and the Stock Market under the RF Government and if the fund's managing company has a special license. If for some reason they refuse to show you these documents, you know that you are dealing with swindlers, regardless of the remarkable advertising they attracted you with."

***Report Urges Reconstruction of Samotlor Oil, Gas Deposit**

954F2903A Moscow SEGODNYA in Russian
18 Jul 95 p 9

[Unattributed article: "It Is Impossible To Exploit Samotlor Without Reconstruction"]

[FBIS Translated Text] The revival of Samotlor, one of the largest oil and gas deposits in West Siberia, will require the attraction of foreign investments and support on the part of the state. This is discussed in the conclusion by the expert council under the Russian Government, which examined the technical and economic feasibility of the "Reconstruction of Field Facilities of the Samotlor Deposit." Experts consider the further exploitation of the deposit without a capital reconstruction of Samotlor inadvisable.

The volume of oil production at the Samotlor Oil and Gas Deposit during the 25-year period of its exploitation totaled more than 2 billion tonnes. However, an analysis of balance (4.6 billion tonnes) and recoverable (1.2 billion tonnes) reserves has shown that it remains one of the biggest sources of hydrocarbonic raw materials over the long term. According to evaluations by specialists, at present about 1,000 deposit wells have become unfit for use owing to casing integrity damage. At the same time, all oil gathering complexes have 100-percent wear. Moreover, the pipeline system at the deposit, which is 11,000 km long, in which pressure oil pipelines total 525 km (30 percent require a replacement) and gas pipelines, 1,024 km (about 80 percent of the wear), are subject to reconstruction.

A total of 1,505 multiple well platforms, instead of the envisaged 2,085, were established at the deposit. The total capacity of oil preparation installations is 78,700 cubic meters in 24 hours. Nine compressor stations (all have 100-percent wear) with an annual capacity of 835 million cubic meters were built for gas-lift oil production. Water injection into the stratum is carried out by means of 34 group pumping stations (27 have 100-percent and seven, 50-percent wear) with daily productivity of 1,850,000 cubic meters. The water encroachment of oil in producing wells averages 92 percent, that is, there are up to 10 cubic meters of stratal water per tonne of produced oil. Experts believe that, in case of the rejection of reconstruction, the technical state of production capital will lead to the occurrence of major accidents at the deposit, the number of which can exceed 130,000 annually, and to a drop by the year 2010 in the oil production level to 3.8 million tonnes annually.

For Samotlor reconstruction the Ministry of Fuel and Energy and a number of Russian scientific research institutes have developed a comprehensive program for the modernization of field facilities at the deposit, which, according to specialists' forecasts, will make it possible to ensure an average annual increase in production from 2.3 to 7.2 million tonnes during the next 5 years. The program provides for the capital replacement of equipment and linear pipelines, restoration of the gas-lift complex, laying of twin pipelines with anticorrosive coating, construction of new electric substations, cleaning of oil-polluted land in the field on an area of 176 square km, and implementation of ecological measures.

However, the question of the financing of this program remains open for now, since at present the income from

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the sale of oil produced at the deposit does not cover production costs. Council experts consider the financing of the program with earmarked centralized capital investments alone unprofitable, even if the charge for subsoil is canceled, the added-value tax is reduced by 50 percent and the profit tax, by up to 25 percent, and 70 percent of the produced oil is exported with exemption from duty for 8 years (as developers of the program propose). In their opinion, at the existing level of taxes and of the domestic oil price (on the average, 60 to 65 percent of the world price) the Nizhnevartovskneftegaz Joint-Stock Company, which carries out the exploitation of Samotlor and has 70.7 percent of the residual recoverable oil reserves of category A+B+C on its balance sheet, is unable to independently carry out the recovery of the well stock and implementation of economic and ecological measures.

Russian Government experts see the way out of the critical situation connected with the intensive drop in the level of oil production at the deposit from the maximum volume of 154.8 million tonnes in 1980 to 25.8 million tonnes in 1994 in the organization of a tender for the most promising oil- and gas-bearing Samotlor sections with the participation of foreign investors.

***Automobile Industry Performance Highlighted**

954E1191A Moscow KOMMERCHESKIY VESTNIK in Russian No 11-12, Jul 95 pp 8-9

[Interview with Valeriy Timofeyevich Saykin, general director of the AMO ZIL, and with Nikolay Andreyevich Pugin, president of the GAZ AO, conducted by Aleksandr Chernyak: "What We Will Be Using To Drive and Carry Freight: The State of the Automotive Industry"]

[FBIS Translated Text] **Classicists assert: "A car is not a luxury, but a means of transportation." There is another known fact: at one time, America's economy was rushing ahead, leaving other countries behind, with its motor vehicles. There was a popular saying: "What's good for Ford is good for America."**

[Chernyak] That is the way it developed historically, but in Russia, the motor vehicle sector was never the driving force of industry. It cannot be said that it was completely in decline or pushed into the background, but neither did it play the role of first fiddle, being second, let us say, to the aviation or fuel-energy sectors. Nevertheless, the former USSR produced more and more trucks and passenger cars every year.

Among light trucks, GAZ took priority on the motor vehicle market, medium-sized — ZIL, and after that KamAZ and UralAZ, and for large trucks — MAZ and the Kremenchug Motor Vehicle Plant. With the break-up of the USSR, some of the plants went to the near abroad, but Russia was left with perhaps the most distinguished ones. All of them soon found themselves in a very difficult position. The reason — the severing of economic ties, the non-payment crisis, the inability of most of the motor vehicle plants to adapt to market conditions, and inflation, which made it impossible to invest funds efficiently in the development of production.

1994 and the beginning of this year were marked by a production slump and the stoppage of our "giants." ZIL did not work for almost two weeks. Its shops had been at a standstill for a short time only during the days of World War II. Even when the Germans were in the suburbs of Moscow, ZIL was in operation. On the average, it turned out more trucks in each war year than it did in 1994. What is the matter? This was the question addressed to Valeriy Timofeyevich Saykin, general director of the AMO [Moscow Motor Vehicle Company] ZIL.

[Saykin] This started at the same time as the so-called reforms. They are carried out without being well thought out, and are having a ruinous effect on both ZIL and other enterprises. ZIL must not be considered apart from the whole economic complex. It can function normally with the 1500 other plants which supply materials, raw material and completing items.

All this held together from force of inertia until 1993, although from 1991 on the plant had already begun to drop its production volume. The plant's peak of productivity was in 1986, when we produced 210,000 trucks. After this, the orders grew fewer each year. The military ones were the first to be cut back — after all, the army had bought 50,000 vehicles from us. Then it was agriculture — about 40,000. Within the same range — the CIS countries. Indeed, Russia too is now buying less than before.

[Chernyak] Why?

[Saykin] In the first place, the insolvency of our buyers has had an effect. No matter how paradoxical it is, motor transport grows more expensive every day because of the rise in prices for fuel.

But the main thing, of course, is that there is turning out to be simply nothing to transport. If only there were transport, if only there were money to purchase transport. After all, in general, the volume of transport on a country's highways is an indicator of its economic health. Even now our routes are not deserted. But it is mainly huge foreign vans that rush along them. Turkey, Holland and other European countries, which do not

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have their own motor vehicle plants, nevertheless convey goods to us using their own transport. Indeed, even our Rosavtotrans buys Volvo, Skania and Mercedes vehicles....

[Chernyak] Well, after all, Russia has no trucks of this class. MAZ has just about pulled up to this level, but even it has found itself "abroad" today....

[Saykin] You are not exactly right. There is a basic ZIL trailer truck, and we could quickly, as they say, get the hang of it — but I have not yet completed my thoughts. Nothing is transported by truck from Russia today, because Russian export consists of timber, oil, coal and other raw materials. This requires a different type of transport.

ZIL's production today has decreased by a factor of seven. Our subcontractors reduced product output in the same proportion. We are trying, however, to survive even under these conditions. A program is being worked out for the output of light trucks with better road-handling ability, as well as a program for expanding the products list — from 2.5-ton trucks to 14-ton trucks. The demand has dropped hopelessly, though.

Yes, ZIL tarried, as they say, at the start of market relations, and now it has to catch up to its colleagues and competitors. On this plane, it has, in any case, a position preferable to that of GAZ and UAZ. The Ulyanovskiy Motor Vehicle Plant, because of the over 50-percent decrease in demand for trucks, has increased its output of minibuses, of varied design, by a factor of 1.9. The Ulyanovskiy designers are now sweating over new models, acting according to the principle: "If you want to live — give your mind a whirl!"

[Chernyak] The Nizhegorod motor vehicle builders are turning out three-fold fewer traditional Gaziks. They are quietly overcoming the recession, however. They have developed a promising model — the 1.5-ton Gazel (GAZ-3302). In the meantime they sent quite a few of them — over 13,000 — to consumers in 1994. But that was just the beginning. This year they plan to manufacture and sell 60,000. An increase by a factor of 4.6. The Polutorka [1.5-ton truck], or the more "coaxing to the ear" name, Gazel, incidentally, is much in demand. According to predictions at the beginning of March, the Russian market capacity is more than 100,000 of these vehicles.

And the praiseworthy thing is that the GAZ workers do not plan to rest on their laurels. On the basis of the GAZ-3302 model, they are developing and mastering promising new trucks (a van, a side-door truck, a dump truck, a minibus, an ambulance, a "kabluk," a "mobile workshop" and others).

[Pugin] In 1995 we plan a sharp increase in the volume of production and sales. The output of all types of motor vehicle equipment will increase by 36 percent. In January of this year the absolute output of motor vehicles exceeded the level of January 1994 by 51 percent.

[Chernyak] What about the prices?

[Pugin] The Gazel is a relatively inexpensive truck. Indeed, the Volga costs scarcely over $7,000. The price is acceptable. Can you buy a similar "limousine" in the West for this kind of money? I don't think so. We must, however, make the product less expensive and raise its quality. There is an intensive search on this plane. We are setting the task of making many relatively inexpensive vehicles.

[Chernyak] KamAZ has also declared itself in the last few years. Indeed, it declared in such a way that its distinguished "colleagues" remembered it. KamAZ took part in the international Paris-Dakar rally several times, and each time it completed the distance with distinction. It almost had the luck of ascending to the pedestal of honor, that is to say, to take first place. In the most recent race, the vehicle ran into a huge boulder and was disabled.

In laying special stress on series production of the vehicles, the KamAZ workers realize that one will not go far today using large-series, "tempo" production. Many firms — Volvo, Skania — have converted to small-series, piece-by-piece production. Yes, this vehicle is more expensive. But on the other hand, it is of a higher quality. And later on, it can be perfected without readjusting production, and can better try out various models and suggestions from the consumers. That is why the group of KamAZ engineers, technologists and designers have created, with their Austrian colleagues, the AltKAm enterprise. Through joint efforts, they have created there a heavy-freight vehicle, named after it. It was assembled at the joint venture, from basic units and sets from leading Western firms and has proved to be, with respect to its main indicators, better than the series domestic vehicles, and in no way inferior to the Volvo, Skania and Mercedes-Benz. Tests conducted in Germany on the new vehicle's conformance to the Euro-1 system of international standards were convincing proof of this. True, the prices for the new truck are higher than those for series-produced ones. This should not scare off consumers, however, they are paid back a hundredfold by the quality.

About prices, by the way. They have risen somewhat more slowly for trucks than for passenger cars, but nevertheless, the curve has crept inexorably upward.

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On the whole for Russia, the prices for trucks lag behind world prices (at the level of 15-18 percent behind the Volvo and Mercedes-Benz) and may still rise.

As for prices for passenger cars, they have emerged at the world level, but quality has been forgotten. As analysis showed, prices during the year (as compared with 1993) have tripled on the average. Their rise, as KOMMERSANT-DAILY claims, was to a considerable extent the result of the fact that the enterprises, in their activity and determination of the demand for goods and services, proceeded from the possibility of not paying debts. The point, of course, lies not only in that. It conforms to principle, reflecting the state of the economy as a whole. Prices are rising for energy carriers, metals and transport, which in the last analysis also affects the cost of the motor vehicle. Quality, however, is inadequate as a curve of price rise. This is a dangerous phenomenon, because any day now the plants can go bankrupt because of inability to compete, even though experts claim that the cost-led mechanism of price-formation still remains predominant at domestic motor vehicle plants.

As we know, VAZ is by rights the leader in passenger vehicles. Its products are in demand even today. The barometer is tending to fall, though. Six months ago the idea of developing a new compact car, the VAZ-1118 was announced. The joint stock company, Avtomobilnyy Vserossiyskiy Alyans (AVVA), and the banks, which became the founders, claimed that the new vehicle would be for all the people, similar to the famous Volkswagen. Speaking at a press conference in Tolyatti, its directors were lavish in their praise for their creation.

B. Berezovskiy, general director of LogoVAZ, said: "The Avtomobilnyy Vserossiyskiy Alyans must not be regarded narrowly, as just a large-scale economic project. Its origin and development open up favorable prospects: integration of capital, and through it — integration of people, oblasts and regions."

V. Kalannikov, general director of the AvtoVAZ AO, was more reserved: "Avtozavod will perish or turn into a coach shop, unless we offer a new motor vehicle to the people that is technically improved, economical and inexpensive. It is impossible, however, to set up mass output of a new item on the old production basis. There must be huge investments. Avtozavod does not have such funds at its disposal. To ask for loans from the state means to urge on emission and, accordingly, stimulate a rise in inflation. So there is not a very great choice: either leave the motor vehicle market or seek other, non-traditional forms for our existence. In short, the citizens of Russia themselves must take part, through investing their personal savings in this cause."

This idea gained support. Moscow citizens will remember the queues in Manezh for AVVA shares. But time has passed, and AVVA, with its sensational publicity, has passed from the screens of television sets and the pages of newspapers. In the meantime, nothing has been heard about the "people's" motor vehicle. It exists — in a single specimen. As that same V. Kalannikov stated to the journalists, it would take at least $300 million straight away to develop it, with the simultaneous linking of additional foreign loans. This makes it impossible to start construction, either today or in the near future.

Nevertheless, AvtoVAZ is in operation. Beginning on 1 February of this year, it switched to a six-day workweek. It has suspended production of the well-known Pyaterok and Shesterok. It is giving preference to modified Devyatok and Niva. At the end of the year, the Desyatka will be put on the conveyor. The vehicle is expensive, although by world standards, alas, it is yesterday's.

Moskvich has no great prospects either. It continues to turn out the M-2141 model, which in drivers' colloquial terms is called a "heavier-than-air appartus" and a "constructor set for adults." The car is of inferior quality and there is no denying it is cheap.

Nevertheless, Moskvich cars with diesel motors have already appeared. They are more reliable. On the whole, AZLK is planning to increase the output of the Moskvich in 1995 to 118,000 units, as against 67,000 in 1994. These are the plans. Time will confirm their reality.

Output Volume of Trucks in Russia (total units)

Plant	1993	1994	1995 (Estimated)
AMO ZIL	108,643	158,209	338,390
AO GAZ	217,145	72,390	150,000
AO KamAZ	57,482	25,838	71,000
AO UralAZ	17,464	14,002	19,660
AO AvtoUAZ	43,736	19,487	22,730

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Output Volume of Passenger Vehicles in Russia (total units)

Plant	1993	1994	1995 (Estimated)
AO GAZ	105,654	118,159	112,000
AO AvtoVAZ	660,275	530,876	600,000
AZLK	95,801	67,868	118,000
AO AvtoUAZ	57,604	53,178	56,000
AO KamAZ	5,190	6,118	7,000

As the tables attest, Russia's motor vehicle industry is struggling to survive. Let us hope that the healthy organism will overcome its sickness.

***Benefits of New Moscow-Petersburg Railroad Detailed**

954E1223B Moscow ROSSIYSKAYA GAZETA in Russian 3 Aug 95 p 3

[Article by Boris Khudoleyev: "Passions Over the Trunk Line—Projects of the Century"]

[FBIS Translated Text] **Is the new railroad between Moscow and Petersburg a blessing or a disaster? This debate has been going on for 150 Years now.**

Recently some of the mass information media have begun to actively discuss the wisdom of building the Moscow-St. Petersburg high speed trunk line. Moreover, some authors are trying to depict the project as almost doing damage to Russia's national interests and irreparable harm to nature. It has reached the point where the trunk line project has been discussed inside the walls of the State Duma, while in local areas citizens have begun to form "rescue committees."

In short, public opinion has been worked up and passions are rising, so it is reasonable to listen to the arguments of those who are implementing this project.

To start let us give a few figures. The Russian Joint Stock Company Vysokoskorostnyye magistrali [High-Speed Trunk Lines] (the RAO VSM) is handling construction of the new railroad. The company was created in 1991 by edict of the RF president with the controlling block of stock in state hands. As of today that is 92 percent, while the rest belongs to the administrations of Moscow and St. Petersburg. Among the charter members are the Oktyabrskaya Railroad and a number of large industrial enterprises and scientific research institutes.

In addition to the construction of a railroad bed 654 kilometers long with 10 intermediate stations (of 3 options, preference has been given to the so-called Novgorod option), the project envisions building modern new terminal complexes and special trains which reach speeds of up to 350 kilometers an hour. The proposed traffic interval at rush hour would be 10-15 minutes and traveling time would be 2.5 hours.

According to the plan, it will cost 3.2 billion dollars. The period of repayment of capital investments is 6.3 years, while considering all national income it is 4 years.

Now let us turn to the question of why it has become necessary to build a new trunk line. Around 30 years ago scientists had already reached the conclusion that the present Oktyabrskaya Railroad had exhausted its production potential and was not meeting the transport needs of the economy and the population. Even then they were convinced that high-speed trunk lines (HST) were the future in the development of railway transport. The experience of many countries of Europe and Japan, where such trunk lines have been operating successfully for two decades already, is proof of that.

The timeliness of a new trunk line for the country's economy has also increased because after the dissolution of the USSR, Russia remained the only direct access to the Baltics and further to the Atlantic. It is precisely the St. Petersburg-Center transport corridor which bears the bulk of export-import shipping.

There is no question about it: construction of the HST is an expensive business. But here we must bear in mind one important circumstance: the basic financing of the project will come not from the budget but by selling stock and obtaining credits, including from abroad, and special purpose loans.

Thus, the RAO VSM recently concluded an agreement with the Ministry of Finance on a bond issue and the provision of state guarantees for it. In the opinion of many specialists, these securities will be attractive to many investors and will help develop the stock market in the country, and in terms of profitability can possibly compete with short-term government bonds.

As for foreign capital, a number of large European banks, including Credit Lyonnais, have expressed readiness to cooperate with the RAO VSM.

There is confidence that the project will interest Russian entrepreneurs and banks too. Especially after the Duma adopts the now-prepared draft law on "rehabilitation" of money on deposit abroad. Taking this into account, the RAO VSM stockholders meeting held recently adopted the decision to create their own investment company.

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And then, we must certainly not approach such projects from present-day positions and realities only. This is a promising project which is figured for a stabilization of the economic situation in the near future. Suffice it to say that even now the RAO is providing employment of more than 17,000 people and is helping many enterprises keep afloat. For example, the associates of the Rubin Central Design Bureau of Maritime Equipment, well known specialists in the area of building our atomic submarine fleet, have made a considerable contribution to designing the Sokol [Falcon] high speed train.

And how do you calculate the economic impact of the following activity of the RAO VSM? Production of Bylina electric commuter trains has been incorporated at one of the enterprises, which makes it possible to fill the acute shortage of electric trains in suburban traffic and, in time, stop buying Riga electric trains for which we have to lay out hard currency.

Ecology. Indeed, we are familiar with a considerable number of examples where builders have dealt ruthlessly with nature. But an essential fact of the VSM project is that it was developed on the basis of the "Ecologically Clean Transport" program. Let us refer to the opinion of the prestigious Greenpeace International organization: compared to other types of transport, high speed trunk lines have a minimal effect on the environment for all indicators. Suffice it to say that the project envisions such things as sound absorbing screens, outfitting passageways to animal watering places, and so on.

The project will be sent to the State Ecological Expert Examination Office very soon, and the builders will of course take the ecologists' recommendations into account. Incidentally, the RAO VSM certainly does not claim to own part of Valday National Park, which people try to accuse it of. The planners of the new main line have options for passing through these 23 kilometers on elevated bridges, that is to say, almost without touching the sanctuary.

Eventually the trunk line may bypass the national park altogether. Whether that will be of benefit to Valday itself is another matter. This is to say that the options are, as they say, feasible. The interested parties must simply discuss them together in order to select the best one for both the trunk line and for the natural world.

And finally, for several years now RAO VSM specialists have been participating in developing the project "Moscow-St. Petersburg—the Road and the Region: a General Concept for the Region's Urban Ecological, Cultural, Transport, and Economic Development." A considerable number of tasks to be resolved are included in it: revival of small cities, settlement of military personnel and emigrants, and development of small business, private farms, and the tourist industry. The priority questions here are preserving and replenishing the region's natural and historical-cultural potential.

There was a sharp debate over the St. Petersburg-Moscow railroad project 150 years ago. Its author, P. Melnikov, had a considerable number of opponents. Among them was the commander in chief of the railways, Count Tol.

At that time Emperor Nikolay the First, despite the objection of his ministers, made the decision to build the railroad. And that soon helped Russia make an appreciable leap forward in its development. Nikolay's railroad substantially surpassed foreign railroads in terms of its engineering-technical level for those days. And one more thing. It completely recouped all expenses in the first years of operation. We should remember that at least on occasion.

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National Affairs

Objectivity of State, Independent Press Rated

954F2939B Kiev MOST in Russian 24-30 Jul 95 No 29, p 6

[Article by Aleksandr Chekmyshev, chairman of the Equality of Opportunities Committee: "Are Ukrainian Newspapers Objective?"]

[FBIS Translated Text] **When, at one time in the USA during the struggle for the presidential armchair between Messrs. Reagan and Mondale, a Western in which a young Reagan played was shown on one of the television [TV] channels, his political opponent regarded this as a covert advertisement and, using the procedure established by law, made them grant him similar air time for his own advertisement. This event, seemingly far removed from Ukraine's problems, is an example of how the mass media does and is supposed to operate in a democratic society and of the kinds of ethical and professional standards to which it is supposed to adhere. It is enough to recall last year's elections in Ukraine in order to be convinced: we still have a long way to go to reach this point.**

Journalists' Problems: Old Ones and New Ones

Until recently, publications, radio and TV were just means for influencing the mass consciousness and shaping specific stereotypes. Unfortunately, this legacy is having an effect even today. By far not all Ukrainian journalists have learned how to operate in the new way and by far not all have the opportunity to be truly objective. The economic disorders and the problems of the transition period are the reason for this, first and foremost. In particular, the fact that, at the present time, there exist in a single information domain commercial or independent newspapers, as well as those which receive state support or exist in general at the expense of the budget. The latter frequently seriously hinders the journalists' effective work.

These problems are not just material ones, but also administrative ones. For example, the lawsuit involving the weekly OSVITA has become well known. First, on the initiative of the Ministry of Education, Igor Lubchenko, the editor, was fired. Later, after the transfer of ministerial portfolios, the very same fate was threatening the new editor, Olga Konovalenko. Of course, it would hardly have been possible to imagine such a thing in a normal democratic society.

But it is especially difficult today for journalists of rayon, city and oblast newspapers and of TV and radio stations which depend on funds allocated by a local council, state enterprise or agricultural firm. There are no longer any attempts to "re-educate" bold editors at a party plenum or meetings of active party members. Now they are quite frequently called on the carpet by the chairman or manager and told bluntly what they are to write. Otherwise, they are just as bluntly fired.

Composite Objectivities

The principle of objectivity of information contains not only the banal "do not lie," i.e., the requirement of truthfulness, but also the requirement of proportionateness. In other words, the mass media should, on a more or less proportionate basis, take up that which, at a given moment, is troubling the citizens most or which could trouble them. If the results of various sociological surveys and the data from the monitoring of the press are compared, it is possible to find serious disproportions between the themes which a number of newspapers considers to be the priority ones and those which the citizens consider to be the most important ones.

For more than a year, the "Equality of Opportunties" Committee has been operating in Ukraine under the Ukrainian Independent Center for Political Studies. Its activities became possible thanks to the support of the well-known international organizations, Freedom House and the Agency for International Development (USA).

The committee's goal is a detailed analysis of the materials of the central and regional press and broadcast programs with respect to proportionateness and objectivity in coverage of the basic problems of daily life: the mutual relations between the branches of authority, economic reform, security, foreign affairs and interethnic and inter-religious mutual relations. I would like to acquaint the readers with some results of these studies.

The Coverage of Mutual Relations

During the battles around the Law on Authority and the possible referendum, this theme was covered as a priority one by the majority of publications in all regions. Meanwhile, if an attempt is made to place under a common denominator the data of the sociological studies conducted by the "Democratic Initiatives" and other similar organizations, then it turns out that a large percentage of the inhabitants of Donetsk, Kharkov and Chernigov oblasts and other eastern oblasts was interested at this time to a greater degree in the economic problems and not the political ones and only in Lvov, Ivano-Frankovsk and Ternopol oblasts did the majority of those surveyed consider the approval of the Law on Authority to be precisely the most important event.

Even greater are the differences in the figures. Thus, 79 percent of the eastern state and quasi-state publications

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were critical with respect to the referenced draft law. The independents, on the other hand, mostly asserted the necessity of approving the law (84 percent published favorable materials and comments). At the same time, among the surveyed population of these same regions, 65 percent gave a favorable response to the direct question with respect to support or non-support of the president's initiative.

The positions of those surveyed in the central oblasts can be defined as 71 percent "pro." While only 45 percent of the state and non-state newspapers gave favorable coverage to this problem, 86 percent of the independents did so.

In the western region, more than 89 percent of those surveyed came out in favor of approval of the Law on Authority. Of this same region's quasi-state and state newspapers, 75 percent played up the draft law, while 85 percent of the independents did so.

Still interesting is the correlation of the political leaders' ratings in the newspapers and based on the surveys' data. In the western state and quasi-state publications, Ukrainian President Leonid Kuchma has the highest rating — 77 percent, while the chairman of Ukraine's Supreme Council, Aleksandr Moroz, has 23 percent. In the central oblasts, the president has 55 percent and the speaker has 45 percent. In the eastern oblasts, Leonid Kuchma has 21 percent, while Aleksandr Moroz has 19 percent. However, if we turn to the surveys' data, 76 percent of the population in the western oblasts supports the president, while just 5 percent supports Aleksandr Moroz. In the central region, 69 percent of those surveyed give the president a favorable assessment, while 19 percent do so for the speaker. In the east, the citizens' sympathies were divided as follows: Leonid Kuchma — 68 percent and Aleksandr Moroz — 13 percent.

The Attitude Toward Economic Reform

The economic reforms are one of the leading themes for both the central and the regional press. The attitudes of the population and the publications in the various regions toward this problem differ.

According to the surveys' data, more than 55 percent of the citizens of the western oblasts lean toward the concept of an open, liberal economy, 37 percent favor a model with elements of state regulation and only 8 percent would like to return to the command-economy model. At the same time, that same region's newspapers give consideration to the mentioned concepts in a somewhat different proportion. Of the state and quasi-state publications, 69 percent give more consideration to the economic model with elements of state regulation. But, among the independents, this indicator comes to only 14 percent, while 86 percent support the liberal model.

The central region's population leans toward the liberal one by 35 percent, 54 percent toward the model with elements of state regulation and 11 percent favor the command-type model. Meanwhile, 79 percent of the state and quasi-state publications in this region support the concept with elements of state regulation and 21 percent the command economy; there are almost no materials in support of the liberal model. In contrast to them, 57 percent of the independent newspapers are for an economy with elements of state regulation, while 43 percent favor the liberal model.

In the east, 38 percent of the population leans toward an economy with elements of state regulation, 34 percent favors a liberal economy and 28 percent favors the command model. Among the publications, the similar indicators look, both in the western region and in the eastern region, somewhat different. Thus, 75 percent of the eastern state or quasi-state newspapers advocate the concept with elements of state regulation, while 25 percent favor the command model. At the same time, among the east's independent publications, there are even more adherents of the liberal model than in the west — 87 percent as against the 13 percent for those publications which advocate the concept of a market economy with elements of state regulation.

All the listed proportions testify to the fact that the state and quasi-state regional newspapers are more inclined toward coverage of the positions of the council and management structures (i.e., their leaders) on which they are dependent and not of public opinion. At the same time, the majority of the independent publications, believing that they reflect the moods of their readers, frequently publish what is desirable as what is real.

The Coverage of Ethnic and Religious Problems

The interethnic and interconfessional mutual relations are yet another extraordinarily important — and simultaneously very delicate —theme. The overwhelming majority of both the state and the independent publications in the majority of regions covers this theme in a balanced and delicate manner.

At the same time, in the publications of Zakarpatskaya Oblast and partially of Donetsk and Odessa oblasts, there is a noticeable tendency to write about the affairs of their fellow countrymen of another ethnic group less than this should occur, considering the proportion of one or another minority among the population of this land. Ethnic disparagement is tolerated in individual Crimean publications. For example, on the pages of

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FLAG RODINY, KRYMSKAYA PRAVDA and some others, it is possible to encounter various accusations against the Crimean Tatars. In particular, that there are instances when the Tatars steal agricultural products in fields and gardens in order to sell them later in the market, willfully seize kholkhoz lands, engage in racketeering, attempt to seize the best spots on the Black Sea coast, join criminal groups and so on. At the same time, a detailed analysis of the reasons for the fact that these events sometimes really do occur (in particular, it would be possible to mention among such reasons the unemployment among the Tatars, the conflicts on the everyday level and the authorities' unwillingness to parcel out sufficient land plots for massive resettlement) is not being made. But, at this same time, individual newspapers, FLAG RODINY for example, are engaging in open provocations and accusing the Tatars of ties with the Turkish intelligence services, of attempting to convert Crimea to Islam and the like. Naturally, this is not conducive to the strengthening of interethnic stability.

The theme of the interconfessional relations troubles the journalists of the western region to a greater extent and those of the eastern region to a lesser extent. There are objective reasons for this. In particular, the fact that the Christian traditions were preserved to a greater degree in the western oblasts. The most important interconfessional problem in the western region's publications is the distribution of the church buildings between the Orthodox followers and the Greek Catholics, as well as the theme of the willful seizure of church buildings.

What Is Next?

The analysis of the results of the study of the central and regional newspapers gives grounds for several conclusions. As the Equality of Opportunities Committee's materials testify, on the whole, among the newspapers, the central publications are more objective than the regional ones (78 and 53 respectively on a 100-point scale). In turn, the independent central and independent regional newspapers are somewhat more objective than the state and quasi-state ones, as well as the party newspapers.

The fact that the independent publications in their own majority are more objective than the state and quasi-state ones may be explained first of all by the fact that the financial aid to the latter comes from a faceless source called the "budget," but is distributed by quite specific officials. Under these circumstances, such persons have real opportunities to influence the journalists and to manipulate the public consciousness.

Of course, stopping the state support of the newspapers under the current economic circumstances is impossible — this would result in the failure of many Ukrainian publications. This is why, in the current transition stage, until the independent publications get stronger, the most optimal alternative solution to the problem would be the strengthening of the relatively recently established Fund for the Support of an Independent Press and the establishment under it of a department, a unique centralized accounting department, through which funds for state and quasi-state newspapers would be transferred. This would free many editors (including the heads of GOLOS UKRAINY and URYADOVOY KURYER) from the excessive supervision of high-ranking officials, bureaucrats or economic managers. At the same time, legislative strengthening of the democratic standard that neither a state structure nor a single bureaucrat shall have the right to meddle in the creative process would establish a powerful foundation for the development and formation of an independent press.

If this were to occur, most probably, the Equality of Opportunities Committee's analysts would sigh with regret — there would be nothing more to work on. For now, however, there is plenty of work, unfortunately.

[Boxed material follows]

The "Equality of Opportunities" Committee is an independent, nongovernmental and non-partisan organization, established in February of 1994.

Its task is to keep track of the proportionateness of the coverage of various viewpoints by the Ukrainian state and non-state mass media, which is one of the most important indicators of press democracy. Based on the results of its own studies, the committee publishes periodic bulletins and holds press conferences.

A committee bulletin, in which a comparison was made of the presentation in the mass media of the positions of the presidential candidates during the 1994 presidential campaign, served as a point of argument during the TV discussion between Leonid Kravchuk and Leonid Kuchma. [End of boxed material]

Economic Issues

***Commentary on State Housing Policy, Situation in Lvov**

New National Housing Policy Outlined

954K0657A Lvov POST-POSTUP in Ukrainian No 25, 18 Jul-1 Aug 95 pp 1, 5

[Article by Mykola Khotskyy, chief consultant to the Supreme Council of Ukraine: "A New Concept of

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State Housing Policy: The End of the State in Housing Policy"]

[FBIS Translated Text] The Concept of State Housing Policy which was recently approved by the Supreme Council calls for providing conditions under which each person will be able to freely purchase or build housing in line with his needs and potential.

The incongruity of existing housing tenure and the overall market economy system which we are building up was the main factor prompting reforms in the housing sector. The system which previously existed was socially unfair to citizens who built housing out of their own funds and paid for it independently while at the same time financing the construction and maintenance of state-owned residential stock through a system of taxes. Likewise, the old system actually deprived young people of an opportunity to get an apartment until they became old.

Anatoliy Dron, deputy chairman of the parliamentary commission for the basic sectors and the socioeconomic development of regions, considers the imperfect financing and credit system, the centralization of construction by the state, restrictions on the allocation of plots for private construction, and the lack of incentives for citizens to provide their own housing the reasons for the extremely acute "housing disease." By now, more than 2.6 million families in Ukraine have been on waiting lists for housing for a long time; a quite large proportion of them qualify for the priority allocation of premises. Their hopes to receive apartments are waning because the volume of construction has been declining year after year.

The people's deputies of Ukraine have abandoned Gorbachev's utopia of providing state-owned housing for everyone by the year 2000. The housing concept calls for providing apartments paid for by the state primarily for the socially vulnerable citizens according to established standards. In addition to budgetary appropriations, the funds of the population, enterprises, offices, and organizations, and various foundations will be tapped for housing construction, along with bank credit and privatization papers. The concept provides for granting easy credit to citizens for the construction or acquisition of housing. As far as rent is concerned, the state will gradually be relieved from the burden of subsidies for housing maintenance as the wage reform progresses and will introduce cost recovery in state housing. At the same time, the state will transfer the sector of housing construction, remodelling, and maintenance to the control of the local organs of power. (In the first five months of this year, the housing and municipal services sector was the most unprofitable in Ukraine—note by the POST-POSTUP editor).

Anatoliy Dron said that the new concept lays the legal foundation for providing incentives to enterprises and organizations which design, erect, and remodel housing, and manufacture construction materials and equipment. It calls for creating a market of construction services, products, and technologies, design documentation, as well as priority processing for non-state investment projects and liberalization of housing management. The concept makes it imperative to enhance the potential of citizens for the defense of their rights. The customer should have a choice between the competitive offers of companies which will service and repair housing and, of course, full access to information on outlays and the setting of prices for housing and communal services.

The provisions of the concept will become the foundation for the development of the housing code of Ukraine and other legislative acts which will regulate housing tenure in the socioeconomic sphere. They will also be taken into account in the design of sectoral and regional programs for the provision of housing to citizens which the Supreme Council has obligated the Cabinet of Ministers to submit for consideration within a year.

New Financing Schemes Reviewed

954K0657B Lvov POST-POSTUP in Ukrainian No 25, 18 Jul-1 Aug 95 p 5

[Article by Andriy Skop: "The Situation in Lvov: Old Things Have Not Died Yet"]

[FBIS Translated Text] There are 34,000 persons on the waiting list for state and cooperative housing in the city of Lvov; 13,475 persons are on the list for cooperative housing. The city executive committee has not built a single building in the last two years. Only enterprises have carried on construction, and their situation is not good, either: Their waiting list comes to approximately 30,000.

Andriy Levyk, chief of the department for registration and allocation of housing space of the city executive committee, said that the oblast and city executive committees have not allocated a single kopek for construction this year. The expectation is that, as projected, 340 apartments will be vacated during the year (as a result of tenants moving out, dying, etc.). However, this is hardly probable because most of these apartments can be privatized. They will not go onto the city's balance sheet but rather will be sold.

The situation is also critical in the area of major repairs to buildings in the city. As I. Bazarnyk, deputy chief of the housing management department of the city

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executive committee, said, residential buildings at 3 and 3A Kryva Lypa Street, 2 Doroshenko Street, 9, 12, 15, and 16 Teatralna Street, 39 and 41 Halytska Street, 5, 7, 8, and 9 Svobody Avenue may meet the same fate of the buildings that have recently collapsed.

In 1995 alone, 540 billion karbovantsy is needed for major repairs whereas the budget has allocated only 150 billion. Petro Kravets, head of the housing directorate of the city executive committee, says that there is no need to be afraid of selling real estate to those who can pay for it. This is why at present it is suggested that private companies buy or lease apartments in buildings which are in need of major repairs. One of such buildings at 15 Valova Street was given to the Lvov branch of the Ukrsotsbank. In addition to repairs which will be made very soon, the bank made a charitable contribution in the amount of 16 billion karbovantsy.

Accounts have been opened to finance housing construction for the residents of condemned buildings and preferred candidates of the department for registration and allocation of housing space. Proceeds from the sale of administrative services and the repayment of the indebtedness of enterprises for the housing received are continuously credited to these accounts. According to a statement by the information division of the city executive committee, in the first five months of 1995, 1.071 billion karbovantsy was credited to the two accounts open.

The city and oblast councils have offered their own drafts for speeding up construction. The oblast council is planning to issue internal loan bonds in August and September of this year in order to raise funds for housing construction and complete unfinished construction of housing and industrial facilities. It is planned to float a block of bonds worth 630 billion karbovantsy in 1995. The total amount of the loan comes to 4 trillion karbovantsy. As the Infobank has announced, the bondholders will have the right to receive corresponding residential space. The cost of the bonds corresponds to the cost of one meter of floor space for housing of various categories—$160 to $190. Bonds will be sold to both legal entities and individuals.

The City Hall has invited contributory participation in completing the construction of five large-slab buildings at Sykhov and at Hrinchenko Street. As Yaroslav Stetskyy, chief of the investment division of the city executive committee, announced, one can get an apartment as early as August, having paid the funds at this time. To be sure, the funds paid do not relieve the contender for an apartment from the need to be on the waiting list for housing. One square meter in such a building costs 30 million karbovantsy (close to $200). Therefore, a one-room apartment in a large-slab building in the city's suburbs (42 square meters) will cost close to $8,000. At present, one can buy a two-room apartment in a brick building in a more prestigious area with the same money.

Private Construction Off to Slow Start

954K0657C Lvov POST-POSTUP in Ukrainian No 25, 18 Jul-1 Aug 95 pp 1, 5

[Article by Taras Smakula: "New Things Have Not Emerged Yet"]

[FBIS Translated Text] A vacuum which formed after the collapse of state-financed construction in Lvov has not been filled by private business so far. The absence of supply in the face of runaway demand is primarily due to large expenditures for the construction of multi-family buildings. Besides, out of the great number of those wishing to obtain housing the number of those who can pay for it right away is minimal. Of those, most either already have an apartment or are erecting private houses. This is why building "cottages" was the initial type of business for many construction companies.

The absence of funds has resulted in not a single company in Lvov building housing at its old expense in order to later sell it (renting apartments is completely out of the question since the recoupment period of invested capital is too long). As a rule, the companies seek to obtain for construction the funds of those who wish to get an apartment. However, the "money-in-the-morning-chairs-in-the-evening" scenario is quite dangerous for the investors: the hope for apartments may disappear together with the money as the construction company goes bankrupt. Hardly any company in Lvov now has the image of one that keeps its promises (provides apartments).

The TIC Joint Stock Company comes close to creating such an image. As its President Myroslav Zavoyko stated, the company will soon commission the first 15-unit brick building at Sykhov and another one a month later; it is beginning to erect a 60-unit building with improved floor plans at Horodotska Street. The price per square meter in the first two buildings ranged around $130, and in the third building—around $180. The TIC attracts the funds of the population by selling shares (one share costs $5). As soon as a person pays 50 percent of the cost of an apartment, he becomes the owner.

Oksana Hubyak, director of the Revansh company, points to the regulations approved by a session of the Lvov City Council on 5 November 1995 as one of the factors hampering the development of private construction. According to the regulations, those wishing

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to build housing must contribute 50 percent of the estimated construction outlay on infrastructural market facilities and housing for the development of the amenities and sociocultural infrastructure in the city. This is precisely why the Revansh company was forced to look for monied partners, having abandoned the idea of building a luxury housing complex (with garages and an office building) with its own resources. Out of 35 apartments, 15 will be given to teachers, at 50 percent of the cost, as payment for the lot provided. Another seven move-in vouchers will be issued to the owners of wrecked houses that used to stand on the lot. Only 13 apartments remain for sale. Their price per square meter ranges between $200 and $300.

Read forthcoming issues of POST-POSTUP to learn how an already existing apartment can be acquired.

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Kazakhstan

Edict on Changes in Edict on 1995 Budget

954F2901A Almaty KAZAKHSTANSKAYA PRAVDA in Russian 25 Jul 95 pp 1, 3

["Edict of the Republic of Kazakhstan President With the Force of Law: On the Introduction of Amendments and Additions to Edict of the Republic of Kazakhstan President With the Force of Law No. 2120, Dated 15 March 1995, 'On the Republic Budget for 1995'"]

[FBIS Translated Text] In accordance with Article 1 of the Republic of Kazakhstan Law on Temporary Delegation of Supplemental Authority to the Republic of Kazakhstan President and Heads of Local Administrations, dated 10 December 1993, and in connection with adoption of the Edict of the Republic of Kazakhstan President With the Force of Law on Taxes and Other Mandatory Payments to the Budget, dated 24 April 1995, **I decree:/**

Article 1. To introduce amendments and additions to Edict of the Republic of Kazakhstan President With the Force of Law No. 2120, dated 15 March 1995, "On the Republic Budget for 1995," so that it shall read as follows:

"Edict of the Republic of Kazakhstan President With the Force of Law: On the Republic Budget for 1995

"In accordance with Article 1 of the Republic of Kazakhstan Law on Temporary Delegation of Supplemental Authority to the Republic of Kazakhstan President and Heads of Local Administrations, dated 10 December 1993, and in connection with adoption of the Edict of the Republic of Kazakhstan President With the Force of Law on Taxes and Other Mandatory Payments to the Budget, dated 24 April 1995, **I promulgate this edict.**

"**Article 1.** To confirm the republic budget for 1995 as follows: revenues in the amount of 111,055,771,000 tenge, outlays in the amount of 150,435,221,000 tenge, with upper budget deficit limit amounting to 39,379,450,000 tenge, in accordance with the appendix (attached).

"**Article 2.** During the period over which this edict is in effect, those portions of laws of the Kazakh SSR and Republic of Kazakhstan and edicts of the Republic of Kazakhstan President with the force of law that are in contravention to this edict are suspended.

"**Article 3.** To declare as no longer in effect as of 1 April 1995:

"—the second part of Article 11 of Kazakh SSR Law No. 657, dated 11 June 1991, 'On the Development of Competition and Restriction of Monopolistic Activity' (VEDOMOSTI VERKHOVNOGO SOVETA KAZAKHSKOY SSR, 1991, No. 24, Art. 283);

"—the Republic of Kazakhstan Law 'On the Fund for Transformation of the Republic of Kazakhstan Economy,' dated 12 April 1993 (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1993, No. 9, Art. 208);

"—Edict of the Republic of Kazakhstan President With the Force of Law 'On the Tax on Agricultural Livestock Comprising the Private Property of Citizens,' dated 5 April 1994, (SAPP RESPUBLIKI KAZAKHSTAN, 1994, No. 16, Art. 151).

"**Article 4.** To establish that:

"a) revenues of the republic budget for 1995 are formed from the following:

"prior to 1 July 1995:

"—value-added tax;

"—excise taxes;

"—tax on profits of juridical persons, regardless of form of ownership, including foreign and joint ownership;

"—land tax;

"—fixed payments (rents);

"—tax on securities transactions;

"—proceeds from the privatization of state property;

"—other statewide taxes and fees, and various nontax payments;

"—proceeds from sale of the 1994 grain crop for state needs;

"—income from foreign economic activity;

"as of 1 July 1995:

"—value-added tax;

"—excise taxes;

"—income tax from juridical persons;

"—tax from exploiters of mineral resources, including fixed payments (rents) prior to the conclusion of individual contracts by such exploiters in territory of the Republic of Kazakhstan with the Republic of Kazakhstan Government;

"—tax on securities transactions;

"—proceeds from the privatization of state property;

"—other statewide taxes and fees, and various nontax payments;

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"—proceeds from sale of the 1994 grain crop for state needs;

"—income from foreign economic activity.

"To take into account that prior to 1 July 1995, tax on securities transactions is entered as revenue to the republic and local budgets in equal proportions, and from 1 July 1995 onward— entirely as revenue to the republic budget;

"b) revenues from foreign economic activity are formed from the following:

"—customs duties on exported and imported commodities;

"—proceeds from royalties and bonuses, but effective 1 July 1995 following the conclusion of individual contracts between exploiters of mineral resources in territory of the Republic of Kazakhstan and the Republic of Kazakhstan Government—special payments;

"—customs procedures;

"—proceeds from the sale of essential commodities—imports purchased by the state, in the domestic market;

"—the return of funds in national currency for credits issued through direct financing;

"—receipts from heads of local administrations and from the national joint-stock company Kazaktelekom towards the liquidation of credits for modernization and expansion of telecommunications networks;

"—reimbursements by juridical persons for budget expenditures related to liquidation of their foreign obligations in currency;

"—reimbursements by juridical persons for budget expenditures with respect to government guarantees;

"—proceeds on deposits of the foreign loan reserve;

"c) juridical persons in the Republic of Kazakhstan pay customs duty to the republic budget for exported and imported commodities in national currency in accordance with customs tariffs;

"d) bonuses, various premium and other payments, and royalties received from foreign investors, as well as special taxes, are transferred on a mandatory basis to currency accounts of the Republic of Kazakhstan Ministry of Finance, and are subsequently converted. Amounts of payment for other types of taxes paid by juridical and physical persons of the Republic of Kazakhstan to currency accounts of the Ministry of Finance are determined in accordance with procedure established by legislation.

"For the period of deferment of payments to the budget for budget-financed organizations, Point 1 of Article 152 of the Edict of the Republic of Kazakhstan President 'On Taxes and Other Mandatory Payments to the Budget' does not apply.

"Article 5. To consider as republic budget revenue, proceeds and withholdings to the following funds:

"—Fund for the Protection of Mineral Resources and Reproduction of the Mineral and Raw-Material Base;

"—Fund for Transformation of the Economy;

"—Road Fund;

"—Environmental Protection Fund;

"—Fund for Support of Entrepreneurial Activity and the Development of Competition.

"To take into account that the following special-purpose funds are removed from the program of revenues and outlays of the Republic of Kazakhstan:

"effective 1 January 1995—the State Employment Assistance Fund;

"effective 1 July 1995—the Road Fund;

"effective 1 April 1995, the Fund for Transformation of the Economy and Fund for Support of Entrepreneurial Activity and the Development of Competition are eliminated.

"To establish that funds previously issued from the Fund for Support of Entrepreneurial Activity and the Development of Competition under conditions of reimbursement shall be made available to the Kazakhstan Center for the Support and Development of Entrepreneurial Activity, and shall be used by it to implement programs in support of entrepreneurial activity and the development and support of small business.

"To establish that for taxation purposes, effective 1 July 1995, withholdings of road users to the nonbudget Road Fund shall be deductible from the aggregate annual income of managing entities.

"That the Republic of Kazakhstan Ministry of Finance shall finance measures related to implementation of the functions of the above-mentioned funds, to the extent that assets are credited and depending on actual proceeds to the fund in question:

"—Fund for the Protection of Mineral Resources and Reproduction of the Mineral and Raw-Material Base, and the Environmental Protection Fund, prior to 1 July 1995—80 percent each; after 1 July 1995—75 percent each;

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"—Road Fund, from 1 January through 1 July 1995—80 percent;

"—Fund for Transformation of the Economy, prior to 1 April 1995—100 percent.

"To entrust responsibility to the Republic of Kazakhstan Ministry of Finance for supervising the correctness of assessments and payments to the funds prescribed as constituting revenues of the republic budget.

"Article 6. To take into account that from 1 April through 1 July 1995, the tax on consumption of motor vehicle gasoline and diesel fuel by juridical and physical persons is in effect.

"To establish that the above-mentioned tax is to be paid by persons who sell motor vehicle gasoline and diesel fuel in the retail network and by managing juridical entities, with the exception of those for whom the land constitutes their main means of production—for motor vehicle gasoline and diesel fuel acquired in the wholesale network for their own consumption.

"To establish the tax rate in the amount of 1 percent of the minimum wage per liter of motor vehicle gasoline and diesel fuel sold in the retail network or acquired for one's own consumption.

"To establish that tax shall be paid on the 10th, 20th, and 28th of each month, proceeding from actual sales of motor vehicle gasoline and diesel fuel sold in the retail network or acquired for one's own consumption, with subsequent submission to the tax organs of reports on its amount for the previous accounting month.

"Article 7. To retain for 1995 the tariff scale existing in 1994 for withholdings towards state social insurance for all organizations, regardless of form of ownership, in the amount of 30 percent of the wage fund. The tariff scale for withholdings towards state social insurance shall be established in the amount of 5 percent for the following: Voluntary Society of Invalids of the Republic of Kazakhstan, Kazakh Society for the Deaf, Kazakh Society for the Blind, as well as production and training-production organizations and branches of these organizations which constitute the property of the above societies and have been established with their funds, in which invalids comprise at least 50 percent of the total employee strength, the Kazakh Republic Organization of Afghanistan War Veterans (minus enterprises), Society of the Red Crescent and Red Cross, legal expertise, peasant (owner-operated) farms, and persons engaged in economic activity without the formation of a juridical person.

"The total amount of social insurance withholdings is to be distributed between the Pension Fund and the Social Insurance Fund according to the norms of 85 and 15 percent, respectively.

"Article 8. To retain for first quarter 1995 the procedure in effect in 1994 for effecting withholdings to the Fund for Transformation of the Economy and for their use.

"To establish that the financing of capital investments using the Fund for Transformation of the Economy and other budget funds shall be effected by the State Bank for Development of Kazakhstan.

"Article 9. To retain the procedure existing in 1994 for effecting withholdings to the Fund for the Protection of Mineral Resources and Reproduction of the Mineral and Raw-Material Base—for juridical persons of the extraction sectors of industry, and to the Environmental Protection Fund.

"Article 10. To establish that effective 1 January 1995, the State Employment Assistance Fund of the Republic of Kazakhstan shall be formed from the mandatory withholdings of juridical persons (including juridical persons with foreign investments, representations, and permanent organizations, in the portion of the wage fund for Republic of Kazakhstan citizens) in the amount of 2 percent of the wage fund. To exempt from payments to the State Employment Assistance Fund, as of 1 January 1995, budget-financed organizations, in the portion of the wage fund financed from budget appropriations, and organizations of the Voluntary Society of Invalids of the Republic of Kazakhstan, Kazakh Society for the Deaf, and Kazakh Society for the Blind which are engaged exclusively in production activity, constitute their assets and were established from their funds, in which invalids comprise at least 50 percent of the employee strength, and for kolkhozes, sovkhozes, and other agricultural organizations, regardless of form of ownership, which directly produce agricultural output—from 1 January through 1 July 1995.

"To determine that expenditures for resettlement measures are to be financed using assets of the State Employment Assistance Fund.

"**Article 11.** To take into account as republic budget revenues proceeds from the National Bank of the Republic of Kazakhstan in the amount of 3,626,050,000 tenge.

"**Article 12.** To establish that the following shall be credited in their entirety to local budget revenues from 1 January through 1 July 1995: income tax from Republic of Kazakhstan citizens, foreign citizens, and stateless persons, state duty, water fees, and tax on natural resources, forest usage fees, tax on consumption of motor vehicle gasoline and diesel fuel by juridical and physical persons, obligatory local taxes and collections,

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other local taxes and collections for which tax rates are determined by maslikhat deputy assemblies, fees and various nontax payments, with the exception of certain types of collections which are credited to the republic budget.

"As of 1 July 1995, the following shall be credited in their entirety to local budget revenues: income tax from physical persons, state duty, fees for the use of water resources and natural resources, forestry revenue, land tax, tax on property of juridical and physical persons, registration fees for physical persons engaged in entrepreneurial activity, registration fees for juridical persons, fees for the right to engage in certain types of activity, payments from auction sales, and various nontax collections.

"**Article 13.** To establish withholdings in 1995 from the proceeds of statewide taxes and revenues to oblast budgets and the budget of the city of Almaty, in the following amounts:

"a) for value-added tax:

"in Almaty, East-Kazakhstan, Zhezkazgan, Zhambyl, West- Kazakhstan, Kzyl-Orda, Kokshetau, North-Kazakhstan, Semipalatinsk, Taldykorgan, Turgay, and South-Kazakhstan Oblasts—100 percent each; in Akmola, Aktyubinsk, Karaganda, and Kustanay Oblasts—50 percent each; in Pavlodar Oblast and the city of Almaty—20 percent each; in Atyrau and Mangistau Oblasts—10 percent each;

"b) for profits tax from juridical persons, regardless of form of ownership, including foreign and joint ownership, and beginning 1 July 1995 for income tax from juridical persons:

"in Almaty, East-Kazakhstan, Zhambyl, West-Kazakhstan, Kzyl-Orda, Kokshetau, North-Kazakhstan, Semipalatinsk, Taldykorgan, Turgay, and South-Kazakhstan Oblasts—100 percent each; in Akmola Oblast—90 percent; in Karaganda Oblast—54 percent; in Aktyubinsk Oblast—51.3 percent; in Zhezkazgan Oblast—42.7 percent; in Atyrau Oblast—39.5 percent; in Kustanay Oblast—29.4 percent; in Pavlodar Oblast—26.2 percent; in Mangistau Oblast—19.7 percent; in the city of Almaty— 8.9 percent;

"c) for excise taxes:

"in Akmola, Aktyubinsk, Almaty, East-Kazakhstan, Zhezkazgan, Zhambyl, West-Kazakhstan, Karaganda, Kzyl-Orda, Kokshetau, Kustanay, North-Kazakhstan, Semipalatinsk, Taldykorgan, Turgay, and South- Kazakhstan Oblasts—100 percent each; in Pavlodar Oblast and the city of Almaty—20 percent each; in Atyrau and Mangistau Oblasts—10 percent each;

"d) for fixed payments (rents), and beginning 1 July 1995—to the extent that individual contracts are concluded—on tax from exploiters of mineral resources:

"in Aktyubinsk, West-Kazakhstan, and Kzyl-Orda Oblasts—100 percent each; in Pavlodar Oblast—20 percent; in Atyrau and Mangistau Oblasts—10 percent each.

"**Article 14.** To allocate grants in 1995 to oblast budgets and the budget of the city of Leninsk, prior to the time financing of the infrastructure of the settlements of Tyura-Tam and Akay is transferred to the Russian Federation, in the amount of 22,447,900,000 tenge:

"Almaty Oblast—2,797,194,000 tenge

"East-Kazakhstan Oblast—742,512,000 tenge

"Zhambyl Oblast—2,091,946,000 tenge

"West-Kazakhstan Oblast—1,049,475,000 tenge

"Kzyl-Orda Oblast—3,558,303,000 tenge

"Kokshetau Oblast—1,274,824,000 tenge

"North-Kazakhstan Oblast—1,135,419,000 tenge

"Semipalatinsk Oblast—3,074,967,000 tenge

"Taldykorgan Oblast—2,547,252,000 tenge

"Turgay Oblast—1,023,152,000 tenge

"South-Kazakhstan Oblast—2,751,602,000 tenge

"City of Leninsk—401,254,000 tenge.

"**Article 15.** To retain prior to 1 July 1995 benefits with respect to income tax and profits tax which were in effect in 1994, including such benefits as prescribed by the Law of the Republic of Kazakhstan, dated 22 September 1994, 'On Social Protection for Invalids in the Republic of Kazakhstan' (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1994, No. 15, Art. 208), with its amendments and additions and taking interstate agreements into account.

"To exempt the following revenues from income tax: income of citizens obtained from investments and deposits in all Republic of Kazakhstan banks, winnings and interest from the 1992 Republic of Kazakhstan State Internal Lottery Bond, and amounts received as lump-sum compensation in accordance with Article 36 of this edict; beginning 1 July 1995, all the above-mentioned benefits shall be afforded in accordance with Edict of the Republic of Kazakhstan President With the Force of Law No. 2235, dated 24 April 1995, 'On Taxes and Other Mandatory Payments to the Budget.'

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"**Article 16.** To establish that prior to 1 July 1995, for taxation purposes, balance profit is to be diminished by the amount of positive exchange-rate differences (augmented by the amount of negative exchange-rate differences) effected as a result of change of the exchange rate of the tenge with respect to foreign currencies quoted by the Republic of Kazakhstan National Bank in effect as of the date of arrival of currency assets to an organization's currency account (or as of the date of the last report), and change of the exchange rate of the tenge with respect to foreign currencies quoted by the Republic of Kazakhstan National Bank as of the date of determination by the organization of its taxable profits for settlement with the budget; but beginning 1 July 1995, procedure for payments to the budget is governed by the Edict of the Republic of Kazakhstan President With the Force of Law 'On Taxes and Other Mandatory Payments to the Budget.'

"**Article 17.** To establish that prior to 1 July 1995, in the event the amounts of value-added tax paid to suppliers for material- commodity valuables acquired exceed the amounts of tax received from purchasers for sold commodities (work, services), the arising difference is credited to the future-payments account or is reimbursed within the limits of tax amounts actually paid to the budget in the accounting year. For organizations exempted from the payment of tax in accordance with subpoints b), c), d), e), x), and y) of Point 1 of Article 5 of the Republic of Kazakhstan Law 'On Value-Added Tax' (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1992, No. 1, Art. 1), and organizations whose production output is taxable according to the rate stipulated in Point 3 of Article 6 of this law, reimbursement of the amount of difference in question is effected from general tax receipts.

"A negative difference in value-added tax arising in the sale of oil and oil products is subject to reimbursement from assets of the Road Fund and from the budget in proportions as stipulated by Article 5 of this edict.

"For imported commodities (output) from areas outside the Commonwealth of Independent States, value-added tax is paid at the time of customs declaration. The amount of taxable turnover includes the customs value of the commodities (output), determined in accordance with customs legislation of the Republic of Kazakhstan, and the amounts of fees, duties, and taxes subject to payment upon registration of the customs declaration.

"Effective 1 July 1995, sales of precious stones and metals to the Republic of Kazakhstan National Bank are effected taking value- added tax into account.

"When precious stones and metals are exported by the Republic of Kazakhstan National Bank, the value-added tax is reimbursed out of budget funds within the limits of tax amounts paid in their regard in accordance with established procedure.

"**Article 18.** To determine that prior to 1 July 1995, the excise taxes on liquors and winestock purchased by enterprises and organizations and sold to physical persons are to be paid by these organizations.

"Excise taxes on ethyl alcohol for drinking, ethyl alcohol rectified from raw foodstuffs, winestock, fortified beverages (juices), balsam, wine and vodka products, and beer, produced from customer-supplied raw materials in the Republic of Kazakhstan, are to be paid by the managing juridical persons, of all forms of ownership, including organizations with foreign participation, as well as the branches and divisions that have manufactured the above- mentioned products.

"Excise-taxpayers comprise all organizations in the Republic of Kazakhstan, regardless of organizational-legal form, type of activity, affiliation or form of ownership, that sell products they have manufactured, as well as such organizations that import these products from areas outside the Commonwealth of Independent States.

"To take into account that effective 1 July 1995, the procedure for payment of excise tax to the budget is governed by Edict of the Republic of Kazakhstan President With the Force of Law No. 2235, dated 24 April 1995, 'On Taxes and Other Mandatory Payments to the Budget.'

"**Article 19.** To establish that from 1 January 1995 through 1 July 1995:

"1. Base rates for the land tax:

"a) for lands in steppe and dry-steppe zones of plains areas with ordinary and southern Chernozem soils, dark-chestnut and chestnut soils, and for piedmont territories with dark gray (gray-brown), chestnut (brown), and piedmont Chernozem soils, per hectare of land are as follows:

"for yield-value index of 1-10, the tax rate is 0.25-1.25 tenge; for yield-value index of 11-20, the tax rate is 1.50-2.50; for 21- 30, it is 2.75-5.00; for 31-40, it is 7.50-12.50; for 41-50, it is 15.00-20.00; for 51-60, it is 22.50-27.50; for 61-70, it is 30.00- 42.50; for 71-80, it is 45.00-57.50; for 81-90, it is 60.00-75.00; for 91-100, it is 77.50-100.00; for over 100, it is 105.00.

"b) for lands of semi-desert, desert, and piedmont-desert areas with light-chestnut, brown, and gray-brown soils,

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ordinary and light gray soils, and mountainous territory with mountain-steppe, mountain-meadow-steppe, and alpine and subalpine mountainous soils, per hectare of land are as follows:

"for yield-value index of 1-10, the tax rate is 0.25-0.50 tenge; for yield-value index of 11-20, the tax rate is 0.75-2.50; for 21- 30, it is 2.75-5.00; for 31-40, it is 5.25-7.50; for 41-50, it is 7.75-10.00; for 51-60, it is 10.25-12.50; for 61-100, it is 12.75- 25.00; for over 100, it is 26.00.

"c) tax rates for lands afforded to citizens for their personal subsidiary farming, dacha construction, and gardening, including lands used for construction, amount to 2.50 tenge per 0.01 hectare.

"2. Base rates for land tax in population centers (cities, working settlements, and rural population centers) are calculated per square meter as follows:

"For Almaty, the tax rate for lands containing nonresidential structures, edifices, plots required for their maintenance, sanitary protective zones for facilities, and technical and other zones is 18.75 tenge; the tax rate for lands containing state, collective, cooperative, and individual housing assets—including the structures and edifices on them, as well as garages and parking facilities for means of transportation, and self-propelled vehicles and mechanisms belonging to citizens, is 0.2 tenge.

"For Akmola, the above tax-rate indices are 3.50 and 0.2 tenge, respectively.

"For Aktau—5.00 and 0.2.

"For Aktyubinsk—3.50 and 0.2.

"For Arkalyk—3.00 and 0.2.

"For Atyrau—4.25 and 0.2.

"For Zhambyl—4.75 and 0.2.

"For Zhezkazgan—4.25 and 0.2.

"For Karaganda—5.00 and 0.2.

"For Kzyl-Orda—4.50 and 0.2.

"For Kokshetau—3.00 and 0.2.

"For Kustanay—3.25 and 0.2.

"For Pavlodar—3.00 and 0.2.

"For Petropavlovsk—3.00 and 0.2.

"For Semipalatinsk—4.50 and 0.2.

"For Uralsk—3.00 and 0.2.

"For Taldykorgan—3.50 and 0.2.

"For Ust-Kamenogorsk—5.00 and 0.2.

"For Shymkent—4.75 and 0.2.

"For Leninsk—4.00 and 0.2.

"For cities under oblast jurisdiction—85 percent of the rate stipulated for the oblast center and 0.2.

"For cities under rayon jurisdiction—75 percent of the rate stipulated for the oblast center and 0.1.

"For settlements—0.5 and 0.07.

"For rural population centers—0.25 and 00.5 [figure as published].

"For cities in Almaty Oblast under oblast jurisdiction—4.0 and 0.2.

"For cities in Almaty Oblast under rayon jurisdiction—3.5 and 0.2.

"3. Base tax rates for lands situated outside population centers, which are used for industrial, transportation, communications, and other nonagricultural designations, are calculated per hectare as follows:

"For yield-value index of 0-10, the tax rate is 25-250 tenge;

"For 11-20, it is 275-562;

"For 21-30, it is 590-825;

"For 31-40, it is 853-1,075;

"For 41-50, it is 1,102-1,338;

"For 51-60, it is 1,365-1,625;

"For 61-70, it is 1,652-1,925;

"For 71-80, it is 1,953-2,238;

"For 81-90, it is 2,265-2,550;

"For 91-100, it is 2,578-2,950;

"For over 100, it is 3,000.

"To take into account that effective 1 July 1995, land tax norms are in effect as stipulated by Edict of the Republic of Kazakhstan President With the Force of Law No. 2235, dated 24 April 1995, 'On Taxes and Other Mandatory Payments to the Budget.'

"**Article 20.** Taking inflation into account, to establish the following adjustment coefficients to the minimum wage and pensions in the amount of 200 tenge:

"as of 1 January 1995—1.0

"as of 1 March 1995—1.25

"as of 1 July 1995—1.4

"as of 1 October 1995—1.5

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"To establish the minimum pay for workers and office workers of budget-financed organizations in the following amounts:

"as of 1 January 1995—at least 600 tenge

"as of 1 March 1995—at least 875 tenge

"as of 1 July 1995—at least 980 tenge

"as of 1 October 1995—at least 1,050 tenge.

"Article 21. To prescribe appropriations for the State Bank for Development of Kazakhstan for the financing and long-term crediting of investment projects determined by the Cabinet of Ministers of the Republic of Kazakhstan, in the amount of 9 billion tenge, including 2 billion tenge for the formation of its charter fund.

"To establish that at least 20 percent of the funds prescribed above, not taking the charter fund into account, shall be directed towards nonreimbursable financing.

"Article 22. To determine as additional sources of charter funding:

"For The State Bank for Development of Kazakhstan—amounts in arrears with respect to credits previously issued from the Fund for Transformation of the Economy on a reimbursable basis;

"For the Republic of Kazakhstan State Bank for Housing Construction—amounts returned on preferential long-term credits for housing measures issued previously for these purposes.

"Article 23. To prescribe funds in the republic budget for the implementation of measures envisaged by Edict of the Republic of Kazakhstan President No. 1344, dated 6 September 1993, 'On the New Housing Policy' (SAPP RESPUBLIKI KAZAKHSTAN, 1993, No. 35, Art. 405), in the amount of 2,622,813,000 tenge, including 1,960,000,000 tenge from assets from the privatization of state property for formation of the charter fund and credit resources of the State Bank for Housing Construction.

"That the Republic of Kazakhstan Ministry of Finance shall effect transfer of funds from the privatization of state property for the above-mentioned purposes as these funds are actually credited to the budget.

"Article 24. To establish that all benefits to organization employees afforded by departmental decisions of ministries and departments, but not envisaged by legislative acts in effect, shall be effected through profits (revenues) remaining at the disposal of these organizations.

"To take into account that as of 1 July 1995, norms in effect are those prescribed by Edict of the Republic of Kazakhstan President With the Force of Law No. 2235, dated 24 April 1995, 'On Taxes and Other Mandatory Payments to the Budget.'

"Article 25. To confirm appropriations from the republic budget for financing the economy in the amount of 32,652,027,000 tenge.

"Article 26. To confirm appropriations from the republic budget for financing sociocultural measures in the amount of 21,361,190,000 tenge.

"Article 27. To take into account that appropriations for financing education shall be prescribed in consideration of the reduction effective 1 September 1995 of 5 percent in the student admission plan for the republic's institutions of higher education and transfer of their studies to operation a contractual basis.

"Article 28. To establish that effective 1 January 1995, the amount of monthly stipend to graduate students enrolled in their studies while on break from production activity shall be on the level of the wage rate for a junior research associate without academic degree, to students at institutions of higher education— 100 percent, and to students at secondary-level specialized educational institutions and vocational-technical institutes with period of instruction up to 10 months—80 percent of three times the amount of the minimum wage.

"To establish that state stipends shall be designated for all successful students at state institutions of higher education and secondary specialized educational institutions, according to the results of summer examinations for the 1994/1995 academic year.

"Article 29. To take into account that prior to 1 July 1995, out-of-city students and day-program students at state institutions of higher education and secondary specialized educational institutions of the republic, and students at preparatory divisions of institutions of higher education financed through republic budget funds, shall be afforded preferential travel benefits on state intercity transportation by rail, water, and motor-vehicle transport during school vacation periods (twice per year, round trip) in the amount of 50 percent of the fare, from republic budget funds; after 1 July 1995, for all the above-mentioned categories of educational institutions—from the republic and local budget as appropriate, depending on the source of financing.

"Article 30. To prescribe state grants in the republic budget for the publication of newspapers and magazines of social significance, in the amount of 467,803,000 tenge.

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"**Article 31.** To prescribe appropriations for shared participation of the republic budget in the formation of regional charitable funds providing social protection to pensioners and support targeted at needy segments of the populace, in the amount of 1,221,383,000 tenge.

"**Article 32.** To prescribe appropriations for the issue of basic baby-food varieties by infant feeding centers, including concentrated food products for bottle-fed babies under two years old in needy and large families, babies under the care of unmarried students and single mothers, and babies in families of military servicemen performing basic term of service, in the amount of 500 million tenge.

"**Article 33.** To retain in 1995 the payment of monthly monetary compensation to needy unemployed pensioners related to increased food-product prices, in the following percentages of the minimum wage:

"—for those receiving full labor pension by virtue of age, disability, or service tenure, as well as disability pensions for military servicemen on basic term of service—115 percent;

"—for those receiving work pensions with less than full seniority or pensions awarded by virtue of loss of the breadwinner— 95 percent;

"—for those receiving social pensions—75 percent.

"The above-mentioned payments shall be made to pensioners who are receiving a pension not in excess of twice the minimum wage prescribed by legislation as calculated on an average monthly basis for the previous quarter, and shall come from appropriate local budget funds.

"**Article 34.** To retain in 1995 the procedure for effecting payment of monthly allowances to families with children in the following percentages of the minimum monthly wage:

"—the uniform allowances for children up to age six—130 percent, from age six to 18—135 percent;

"—state benefits to single mothers for children, as well as benefits for minors during the search for parents who are evading payment of child support, for children up to age six—105 percent, from age six to 18—115 percent;

"—allowances for children of military servicemen on basic term of service—135 percent;

"—allowances for children infected with the human acquired immuno-deficiency virus or sick with AIDS—135 percent;

"—allowances for nonworking mothers with four or more children up to seven years of age—in the amount of the minimum wage regardless of family income, replacing the monthly monetary compensation in effect in 1994 for mothers with many children, with reestablishment of the in-kind benefits and monetary payments that were envisaged by Edict of the Republic of Kazakhstan President No. 1002, dated 4 December 1992, 'On Measures of Social Support for Large Families' (SAPP RESPUBLIKI KAZAKHSTAN, 1992, No. 46, Art. 661), in the portion regarding payment of allowances in the amount of the minimum wage to nonworking mothers with four or more children up to seven years of age, free manufacture and repair of dental prostheses (except prostheses made of precious metals), free issue of medicines according to doctor's prescription for children up to 14 years of age, and free travel on municipal transportation (except taxi).

"To take into account that payment of allowances for disabled children, trained and educated in the home, shall be effected quarterly in the amount of 1,600 tenge during the first and second quarters, and 2,150 tenge during the third and fourth quarters, regardless of family income.

"Lump-sum benefits upon birth of a child in the amount of four times the minimum wage are paid from assets of the Social Insurance Fund.

"Lump-sum burial benefits in the amount of 10 times the minimum wage are paid to pensioners from Pension Fund assets, and to working citizens—from assets of the Social Insurance Fund.

"**Article 35.** To take into account that upon implementation of Edict of the Republic of Kazakhstan President With the Force of Law No. 2247, dated 28 April 1995, 'On Benefits and Social Protection for Veterans and Invalids of the Great Patriotic War and Persons With Equivalent Status,' the previously existing procedure for payment of monthly monetary compensation is repealed in exchange for benefits to the families of those who died as a result of the catastrophe at the Chernobyl Nuclear Power Plant or consequent radiation sickness, in the amount of twice the monthly minimum wage, and to remaining categories of citizens victimized by the catastrophe at the Chernobyl Nuclear Power Plant—in the amount of one monthly minimum wage.

"**Article 36.** To take into account that republic budget outlays shall stipulate appropriations for implementation of the following laws:

"—Republic of Kazakhstan Law No. 1787, dated 18 December 1992, 'On Social Protection for Citizens Victimized as a Result of Nuclear Testing at the Semipalatinsk Nuclear Test Range' (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1992, No. 23, Art. 560), in the amount of 5,201,931,000 tenge, including 3,275,414,000 tenge for the payment of lump-sum monetary compensation;

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"—Republic of Kazakhstan Law No. 1468, dated 30 July 1992, 'On Social Protection for Citizens Victimized as a Result of the Ecological Disaster in the Aral Region' (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1992, Nos. 13-14, Art. 348), in the amount of 1,562,496,000 tenge, including 24,523,000 tenge for the payment of lump-sum monetary compensation;

"—Republic of Kazakhstan Law No. 2143, dated 14 April 1993, 'On the Rehabilitation of Victims of Mass Political Repressions' (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1993, No. 10, Art. 242), in the amount of 589,223,000 tenge, including 168,711,000 tenge for the payment of lump-sum monetary compensation.

"**Article 37.** To take into account that republic budget outlays for 1995 shall stipulate appropriations related to celebration of the 50th Anniversary of Victory Day in the Great Patriotic War of 1941-1945, in the amount of 308,870,000 tenge, including 2 million tenge for concerts, festivals, competitions, and conferences, and 15 million tenge for events immortalizing the memory of Heroes of the Soviet Union Alna Moldagulova and Manshuk Mametova. In addition, 6,077,747,000 tenge shall be appropriated in social support for the disabled and veterans of the Great Patriotic War.

"**Article 38.** To prescribe republic budget appropriations in connection with celebration of the 150th birthday of Abay Kunanbayev, in the amount of 824,250,000 tenge.

"**Article 39.** To take into account that state budget outlays for 1995 shall stipulate appropriations for the conduct of anniversary celebrations in honor of the 150th birthday of Zhambyl Zhabayev, in the overall amount of 116,778,000 tenge.

"In addition, an annex shall be erected to the existing school in the village of Zhambyl, Almaty Oblast, through the State Bank for Development of the Republic of Kazakhstan, using capital investment funds on a nonreimbursable basis, amounting to 90,000,000 tenge.

"**Article 40.** To stipulate republic budget appropriations in the amount of 107,100,000 tenge as reimbursement for bank losses related to previously afforded interest-free loans to young spouses upon the birth of a child in accordance with Republic of Kazakhstan Law No. 722, dated 28 May 1991, 'On State Youth Policy in the Kazakh SSR' (VEDOMOSTI VERKHOVNOGO SOVETA RESPUBLIKI KAZAKHSTAN, 1991, No. 28, Art. 377).

"**Article 41.** To determine republic budget appropriations to finance science in the amount of 2,256,468,000 tenge, including 555,821,000 tenge for the National Academy of Sciences, and 446,409,000 tenge for the Kazakh Agricultural Academy.

"**Article 42.** To take into account that as of 1 April 1995, budget financing is terminated for creative unions and social organizations.

"**Article 43.** To take into account, within outlays of oblast budgets and that of the city of Almaty, 1995 appropriations amounting to 598,100,000 tenge to maintain newly commissioned specialized preventive treatment and therapy organizations for individuals suffering from alcoholism and drug addiction.

"**Article 44.** To stipulate, as joint financing in the republic budget, appropriations in the amount of 208,362,000 tenge for construction of the Republic of Kazakhstan Children's Rehabilitation Center in the city of Almaty.

"In addition, corresponding appropriations shall be stipulated in the budgets of South-Kazakhstan and Pavlodar Oblasts for joint financing of the social project.

"**Article 45.** To establish that the republic budget shall stipulate appropriations for maintenance of the organs of state power, including the organs of state government, judicial organs, and procuracy organs, in the overall amount of 12,430,248,000 tenge.

"That the Cabinet of Ministers of the Republic of Kazakhstan shall confirm within one month the specific distribution of outlays by ministry and department.

"**Article 46.** To confirm republic budget appropriations:

"—to maintain law enforcement organs, in the amount of 13,934,787,000 tenge;

"—for defense, in the amount of 14,440,452,000 tenge;

"—for the conduct of referendums and elections, in the amount of 769,631,000 tenge;

"—other outlays, in the amount of 1,759,027,000 tenge.

"**Article 47.** To confirm the following in the republic budget:

"—the Reserve Fund of the Cabinet of Ministers of the Republic of Kazakhstan, in the amount of 2.328 billion tenge;

"—special reserve funds of the Cabinet of Ministers of the Republic of Kazakhstan for efforts to eliminate the aftereffects of natural disasters, in the amount of 1.172 billion tenge.

"**Article 48.** To stipulate republic budget appropriations in the amount of 9,905,296,000 tenge for the redemption of foreign currency to finance expenditures related to foreign economic activity in the following areas:

"—interest payments on the foreign debt and fulfillment of the government's guarantee obligations in this regard;

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"—fees to international organizations;

"—the maintenance of embassies and representations, including expenditures for building acquisition;

"—the maintenance of CIS executive organs;

"—the return of funds temporarily acquired from organizations to pay off the foreign debt;

"—other urgent republic needs.

"To direct funds in 1995 towards expenditures to maintain new embassies and representations, these funds coming from a 20 percent reduction in the numbers of servicing personnel at existing embassies and representations.

"Article 49. That the Republic of Kazakhstan National Bank shall ensure transfer of the following monies to the accounts of appropriate budgets according to norms established by this edict and applicable decrees of the maslikhat deputy assemblies:

"prior to 1 July 1995:

"—tax on profits of juridical persons, regardless of form of ownership, including foreign and joint organizations;

"—value-added tax;

"—excise taxes;

"—fixed payments (rents);

"—income tax from Republic of Kazakhstan citizens, foreign citizens, and stateless persons;

"effective 1 July 1995:

"—income tax from juridical persons;

"—value-added tax;

"—excise taxes;

"—taxes from exploiters of mineral resources in the Republic of Kazakhstan, instead of fixed payments (rents), as individual contracts are concluded between these exploiters and the Republic of Kazakhstan Government;

"—income tax from physical persons.

"Article 50. To determine that the following comprise sources to be used in covering the republic budget deficit in 1995:

"—proceeds from the external loan, in the amount of 37,920,182,000 tenge;

"—credit resources of the Republic of Kazakhstan National Bank, in the amount of 8.625 billion tenge;

"—receipts from organizations of amounts of the principal debt and interest resulting from intra-republic clearing and directive credits, in the amount of 7,681,156,000 tenge;

"—the remainder of budgetary assets as of the beginning of the year, applied to cover expenditures, in the amount of 5.658 million tenge.

"In addition, the Republic of Kazakhstan Ministry of Finance, jointly with the Republic of Kazakhstan National Bank, shall conduct the auction sale of state short-term treasury bills and apply the amount obtained of 1.5 billion tenge towards covering the budget deficit.

"Article 51. To effect outlays from external and internal financing sources as follows:

"—paying off the principal amount of the state external debt, in the amount of 5,112,816,000 tenge;

"—advance payment on investment and commodity credits, in the amount of 578,283,000 tenge;

"—paying off insurance premiums and bank commissions, in the amount of 732,337,000 tenge;

"—paying off the state internal debt within the limits of 1994 and 1995 profits, creditable as budget revenue in the amount of 800 million tenge;

"—paying off intra-republic clearing obligations in the amount of 6,985,590,000 tenge, including obligations rescheduled in exchange for previously issued term bills of the Republic of Kazakhstan Ministry of Finance used in intra-republic clearing of treasury obligations, in the amount of 5.2 billion tenge;

"—paying off the 1992 Republic of Kazakhstan State Internal Lottery Bond distributed among the populace (for redemption of treasury bonds from the populace), in the amount of 900 million tenge;

"—paying off the 1992 Republic of Kazakhstan State Internal Lottery Bond distributed among juridical persons, in the amount of 3 million tenge;

"—restoration to local budgets of revenues credited in paying off republic budget debts on bills for intra-republic clearing, in the amount of 1,240,520,000 tenge.

"Article 52. To stipulate republic budget appropriations for the payment of:

"—interest in servicing the state internal debt of the Republic of Kazakhstan in the amount of 2.211 billion tenge, and interest on credits for the 1995 republic budget deficit in the amount of 615,050,000 tenge;

"—interest on bills of the Republic of Kazakhstan Ministry of Finance drawn up from the results of the intra-republic clearing of reciprocal indebtedness, in the amount of 424,030,000 tenge;

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"—servicing the issue and liquidation of intra-republic clearing obligations, in the amount of 52 million tenge;

"—interest on the 1992 Republic of Kazakhstan State Loan distributed among juridical persons, in the amount of 490,000 tenge.

"Article 53. To direct towards paying off the state internal debt:

"—to the Republic of Kazakhstan National Bank, within the limits of its actual profit, 800 million tenge, including 100 million tenge from 1994 profit and 700 million tenge from 1995 profit.

"To take into account that republic budget funds shall be used to stipulate outlays for the Republic of Kazakhstan State Rehabilitation Bank in the amount of 7 billion tenge, including 3 billion tenge from credits of the Republic of Kazakhstan National Bank.

"Article 54. (Secret)

"Article 55. That the Republic of Kazakhstan Ministry of Finance shall conclude an appropriate agreement with the Republic of Kazakhstan National Bank with respect to servicing the state internal debt, stipulating therein the quarterly payment of interest at 10 percent annual interest rate.

"Article 56. To acknowledge as state internal debt losses incurred by the populace with respect to deposits in Kazsberbank (People's Bank of the Republic of Kazakhstan), as of 1 January 1992, not included within the 1995 budget.

"Article 57. To confirm the amount of working ready cash for the republic budget at the end of the year in the amount of 5.658 million tenge.

"Article 58. This edict enters into force effective 1 January 1995."

Article 2. This edict enters into force effective 1 July 1995.

[Signed] President of the Republic of Kazakhstan N. NAZARBAYEV

Almaty, 20 July 1995.

Appendix to 1995 Budget Edict No 2371

954F2901B Almaty KAZAKHSTANSKAYA PRAVDA in Russian 25 Jul 95 p 3

["Appendix to Edict of the Republic of Kazakhstan President With the Force of Law No. 2371, Dated 20 July 1995, 'The 1995 Republic Budget of the Republic of Kazakhstan'"]

[FBIS Translated Text]

REVENUES (in tenge)

Section I. Institutions and Budgetary Measures

1. Value-added tax: 12,240,466,000

2. Excise taxes: 3,080,914,000

3. Tax on profits of enterprises, associations, and organizations (income tax from juridical persons): 11,991,160,000

4. Proceeds from National Bank, total: 3,626,050,000

including:

—from last year's profits: 100 million

—from the current year's profits: 700 million

—from income on government deposits: 2,826,050,000

5. Reimbursement of budget expenditures, total returned from enterprises: 14,948,301,000

a) budgetary loans and credits, with interest, for insufficient enterprise working capital: 930 million

b) amounts of the principal debt and interest on directive credit: 8,032,711,000

c) amounts of the principal debt and interest on intra-republic clearing: 5,985,590,000

6. Collections and various nontax income, total: 6,047,500,000

including:

a) proceeds from the registration of managing entities: 15 million

b) proceeds from sale of licenses: 200 million

c) receipts for right of transit through republic territory: 50 million

d) other proceeds: 3 billion

e) proceeds for imported commodities received: 2,782.500,000

including:

—state joint-stock company Kunarlylyk: 660 million

—republic association Zoovetsnab: 615 million

—mining chemical combine Farmatsiya: 1.5 billion

—joint-stock company Medtekhnika: 7.5 million

7. Tax on income of enterprises, associations, and organizations, total: 109,176,000

including:

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—from shares, bonds, and other securities, and from shared participation in joint enterprises: 109,176,000

8. Fixed payments (rents), tax from exploiters of mineral resources: 829,891,000

9. Land tax: 330 million

10. Tax on securities transactions: 150 million

11. Grain sales proceeds: 8.7 billion

12. Income from land lease rights: 43.3 million

13. Proceeds from privatization of state property: 9.8 billion

TOTAL REVENUES, Section I: 71,896,758,000

Section II. Funds for Special-Purpose Financing

Fund for the Protection of Mineral Resources and Reproduction of the Mineral and Raw-Materials Base: 2 billion

Fund for Transformation of the Economy: 7 billion

Return of assets of the Fund for Transformation of the Economy: 15.3 million

Road Fund (for the first half year): 2,333,003,000

Fund for Support of Entrepreneurial Activity and the Development of Competition: 200 million

Environmental Protection Fund: 102,465,000

TOTAL REVENUES, Section II: 11,650,768,000

Section III. Foreign Economic Activity

1. Customs duty on exports: 7.691 billion

2. Customs duty on imports: 1.972 billion

3. Proceeds from royalties and bonuses (special payments): 6,806,500,000

4. Customs procedures: 751 million

5. Proceeds from the sale of imported essential commodities on the domestic market: 426,610,000

6. Funds reimbursement in national currency, direct financing: 509,846,000

7. Proceeds from local administrations to pay off credits for the modernization and expansion of telecommunications networks: 411,389,000

8. Proceeds from the national joint-stock company Kaztelekom on credits for the modernization and expansion of telecommunications networks: 439.9 million

9. Reimbursement by enterprises of budget expenditures related to liquidation of their foreign currency obligations: 2.3 billion

10. Reimbursement by enterprises of budget expenditures for government guarantees: 1 billion

11. Proceeds from deposits of the external loan reserve: 1 billion

12. Other proceeds: 4.2 billion

TOTAL REVENUES, Section III: 27,508,245,000

TOTAL REVENUES for the republic budget: 111,055,771,000

OUTLAYS

Section I. Institutions and Budgetary Measures

1. FINANCING OF THE ECONOMY: 32,652,027,000

INDUSTRIAL COMPLEX

Ministry of Power Engineering and Coal: 20 million

—for renewal of energy sources: 20 million

Ministry of Industry and Trade: 225 million

—for drainage of the Mirgalimsayskiy Deposits: 225 million

TOTAL, industrial complex: 245 million

CONSTRUCTION COMPLEX

Ministry of Construction and Housing, territorial housing systems, design work: 31.2 million

TOTAL, construction complex: 31.2 million

AGRO-INDUSTRIAL COMPLEX

State Committee for Water Resources, operational expenditures: 239,804,000

Kazselkhozakademiya, total: 6.127 million

including for pomological gardens: 4.3 million

Ministry of Agriculture, total: 5,428,482,000

including:

—operational expenditures: 2,015,642,000

—Agricultural Support Fund: 3,412,840,000

State Committee for Land, operational expenses: 270 million

TOTAL, agro-industrial complex: 5,944,413,000

TRANSPORTATION AND COMMUNICATIONS

Ministry of Transportation and Communications, total: 229,198,000

including:

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—operational expenditures (transportation management upkeep, maintenance of shipping locks, shipping safety inspection offices): 43,435,000

—upkeep of courier communications service: 42 million

—partial financing of the state postal communications service: 100 million

—financing of diplomatic courier activity: 43,763,000

The company Kazakhstan Airlines, operational expenditures: 41,981,000

TOTAL, transportation and communications: 271,179,000

SOCIAL SPHERE

1. Outlays for payment of benefits, total: 930,392,000

including:

benefits with respect to travel and communications services, total: 930,392,000

—to disabled children: 25,789,000

—to Groups I and II invalids: 77,205,000

—to rehabilitated citizens: 13,770,000

—for special services: 40,095,000

—to veterans and invalids of the Great Patriotic War, total: 773,533,000

including subscriptions on preferential terms: 63,420,000

2. Outlays for the implementation of new housing policy, total: 2,622,813,000

including:

a) 20 percent of the privatization of state property for long- term credit resources and formation of the charter fund of Zhilstroybank: 1.96 billion

b) for subsidies to those on waiting lists 10 years or more for apartments and other housing: 76,950,000

c) for construction of housing and municipal facilities: 187,500,000

d) for construction of housing for social groups of the populace: 398,363,000

3. Outlays for implementation of the Law "On State Youth Policy in the Kazakh SSR": 107,100,000

4. The film company Kazakhkino, total: 308,137,000

including:

—grants to cover losses to cinema networks and lending services: 30,024,000

—production of national feature, newsreel, documentary, children's, and animated cartoon films: 18,594,000

—production of the film The Way of Abay: 166 million

—acquisition of imported equipment for The Way of Abay: 58,950,000

—the film dedicated to Victory Day in the Great Patriotic War: 4 million

—the feature film The Youth of Zhambyl: 30,569,000

5. Kazakh State Information Agency: 8,609,000

6. Kazakh State Agency on Copyrights and Other Reserved Rights (compensation for losses): 544,000

7. Ministry of the Press and Information, to cover losses related to publication of socially significant literature, total: 835,757,000

including:

for publication of the book Abay: 50 million

for books and posters dealing with the 50th anniversary of Victory in the Great Patriotic War: 33 million

for publication of books on Zhambyl Zhabayev: 10,278,000

TOTAL, social sphere: 4,813,352,000

NOT INCLUDED WITHIN THE ABOVE COMPLEXES

Ministry of Ecology and Bioresources (operational expenses): 740 million

Main Administration for Geodesy and Cartography: 60,904,000

Committee for State Material Reserves, total: 69,774,000

including:

—operational expenditures: 65,094,000

—capital repairs: 4.68 million

Ministry of Justice, for upkeep of publishing house, total: 30 million

National Patent Office of the Cabinet of Ministers, to cover losses: 333,000

Society to Facilitate the Development of Maritime Transportation and Protect Marine Life, current upkeep: 821,000

Expenses on organization of the treasury and tax police, consolidation of their material base: 567 million

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Customs Committee of the Cabinet of Ministers: 30 million

Supreme Council, for upkeep of the health center and engineering facility: 25 million

Administrative departments of the Republic of Kazakhstan president: 131,294,000

Kazakh Hydrometeorology Directorate, operational expenses: 303,850,000

Financing of capital investments (credit resources and replenishment of the charter fund of the State Bank for Development): 9,015,300,000

Implementation of the National Program of Destatization and Privatization, Phase II (1993-1995): 85 million

Completion of the Abay complex: 245 million

Development of city public transportation: 2 billion

Outlays to cover the external debt of oblasts from modernization and expansion of telecommunications networks: 411,389,000

Payments to the charter fund of Kazakhstan Eximbank: 200 million

Financing of activity of the Republic of Kazakhstan Rehabilitation Bank, total: 7 billion

including:

Expenditures for conversion made through the Ministry of Industry and Trade: 200 million

Expenses for maintaining the housing and municipal facilities of conversion enterprises, total: 381,218,000

—Republic of Kazakhstan Ministry of Industry and Trade: 204,266,000

—Republic of Kazakhstan Ministry of Power Engineering and Coal: 176,952,000

Outlays from proceeds received through affording the right to transit through republic territory: 50 million

TOTAL, for lines not included within complexes: 21,346,883,000

2. FINANCING OF SOCIOCULTURAL MEASURES, TOTAL: 21,361,190,000

including:

a) education and professional training of cadre, total: 8,848,946,000

—for presidential stipends in accordance with the Bolashak program: 810,844,000

—for participation in the World Games: 18,401,000

b) art and culture, total: 939,459,000

—for conduct of the celebration honoring the 150th birthday of Abay Kunanbayev: 215 million

including from currency funds for the acquisition of audio-visual equipment: 37.5 million

c) the mass media, total: 2,999,424,000

including:

—for communications services in the dissemination of state programs, radio and television broadcasting: 1,983,812,000

—payment on orders for state radio and television broadcasts: 528,636,000

including:

expenditures on production of a five-part television presentation dedicated to the 50th anniversary of Victory in the Great Patriotic War: 5.5 million

d) health care: 6,069,807,000

e) physical training, total: 601,899,000

including:

expenditures for conduct of the Spartakiada, dedicated to the 50th anniversary of Victory in the Great Patriotic War: 52,860,000

—preparation and training for participation in the Olympic Games: 200 million

f) social protection, total: 1,901,645,000

including:

—maintenance of institutions and support for social security measures: 106,608,000

—compensation for expenditures on resort and sanatorium treatment: 506,229,000

including:

invalids and veterans of the Great Patriotic War: 409,950,000

—acquisition by public associations of equipment for treating the deaf, mute, and blind: 67,425,000

—formation of regional charitable funds: 1,221,383,000

3. FINANCING OF SCIENCE, TOTAL: 2,256,468,000

including:

for the National Academy of Sciences: 555,821,000

for the Kazakhstan Agricultural Academy: 446,409,000

4. OUTLAYS FOR DEFENSE, TOTAL: 14,440,452,000

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including:

—General-Purpose Forces: 13,379,682,000

—Combat vessels: 41,107,000

—Civil defense staff and headquarters: 349,597,000

—Republic Guard: 325,201,000

—Naval Forces: 344,865,000

5. OUTLAYS FOR UPKEEP OF THE ORGANS OF STATE POWER, JUDICIAL ORGANS, AND THE PROCURACY, TOTAL: 3,509,032,000

including:

—the Supreme Council, total: 321,514,000

including its material base: 90 million

—the apparatus of the president: 701,183,000

—Supreme Court: 81,488,000

—Constitutional Court: 30,367,000

—oblast courts, Almaty and Leninsk city courts: 232,517,000

—people's courts: 789,280,000

—Supreme Court of Arbitration: 134,796,000

—Procuracy: 1,217,576,000

6. OUTLAYS FOR THE UPKEEP OF LAW ENFORCEMENT ORGANS, TOTAL: 13,934,787,000

including:

Ministry of Internal Affairs: 7,648,690,000

including expenditures for acquisition of currency: 518,243,000

Committee for State Security: 1,912,374,000

including expenditures for acquisition of currency: 144,450,000

—State Committee for Defense of the State Border: 2,543,152,000

—Military Border Troops Institute: 220,345,000

—Internal Troops: 1,597,196,000

—State Technical Commission for Information Protection of the Cabinet of Ministers: 13,030,000

7. OUTLAYS FOR THE UPKEEP OF REPUBLIC AND LOCAL EXECUTIVE- ADMINISTRATIVE ORGANS OF STATE POWER AND ORGANS OF STATE GOVERNMENT, TOTAL: 8,921,216,000

including expenditures for the production of diplomatic passports from currency assets: 37.5 million

8. RESERVE FUNDS, TOTAL: 3.5 billion

—including the special reserve for efforts to eliminate the aftereffects of natural disasters: 1.172 billion

9. MISCELLANEOUS, TOTAL: 4,183,800,000

including:

—funds for 1994 grain crop purchases: 3.5 billion

—reimbursement of expenses to cotton-growing enterprises: 70 million

—1994 indebtedness with respect to compensation for the difference in grain and mixed-fodder prices: 613,800,000

10. OTHER OUTLAYS: 1,759,027,000

11. OUTLAYS FOR THE CONDUCT OF ELECTIONS: 769,631,000

12. OUTLAYS FOR SERVICING THE STATE INTERNAL DEBT, TOTAL: 3,302,570,000

including:

—interest payments on the 1992 Republic of Kazakhstan State Loan, distributed among juridical persons: 490,000

—interest payments for credits toward the budget deficit: 615,050,000

—interest payments on the state internal debt: 2.211 billion

—interest payments on term bills for intra-republic clearing: 424,030,000

—expenditures in servicing obligations in intra-republic clearing (depositary): 52 million

13. OUTLAYS IN SERVICING INTERSTATE ORGANIZATIONS, TOTAL: 282,320,000

including expenditures related to celebration of the 50th anniversary of Victory in the Great Patriotic War: 3.366 million

14. OUTLAYS FOR THE IMPLEMENTATION OF LAWS, TOTAL: 3,889,160,000

including:

—Law on the Aral Region: 24,523,000

—Law on Social Protection for Citizens Victimized as a Result of Nuclear Testing at the Semipalatinsk Test Range: 3,275,414,000

—Law on Rehabilitation of the Victims of Mass Political Repressions: 589,223,000

Grants to local budgets: 22,447,900,000

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TOTAL OUTLAYS, Section I: 137,209,580,000

Section II. Funds for Special-Purpose Financing

FUND FOR THE PROTECTION OF MINERAL RESOURCES AND REPRODUCTION OF THE MINERAL AND RAW-MATERIALS BASE: 1.5 billion

ROAD FUND: 1,656,402,000

ENVIRONMENTAL PROTECTION FUND: 163,943,000

TOTAL OUTLAYS, Section II: 3,320,345,000

Section III. Foreign Economic Activity

REDEMPTION OF CURRENCY FOR THE UPKEEP OF EMBASSIES AND REPRESENTATIONS, AND FOR OTHER PURPOSES, TOTAL: 9,905,296,000

including:

1) interest payments on external loans: 4,818,281,000

2) temporary outlays for the servicing of external loan guarantees: 1 billion

3) outlays for foreign economic activity: 4,087,015,000

including:

—fees to international organizations: 1,236,531,000

—upkeep of CIS executive organs: 11,407,000

—upkeep of embassies and representations, including building acquisition expenditures: 881,590,000

—outlays for official trips abroad: 113,400,000

—return of enterprise funds acquired temporarily to liquidate the external debt: 669,962,000

to the production association Mangistaumunaytaz: 732 million

to the state concern Kaspiyshelf: 348,570,000

—fees to the Kazakhinstrakh charter fund: 56.7 million

—for governmental liaison: 36,855,000

TOTAL OUTLAYS, Section III: 9,905,296,000

TOTAL OUTLAYS for the republic budget: 150,435,221,000

EXCESS, SHORTAGE (-) OR SURPLUS (+), TOTAL: -39,379,450,000

including:

I. From external sources of financing, total: 31,496,746,000

including:

1. Proceeds from the external loan: 37,920,182,000

2. Minus amounts of adjustment, total: -6,423,436,000

including:

a) advance payment of investment commodity credits: -578,283,000

b) liquidation of insurance payments and bank commissions: - 732,337,000

c) towards liquidation of the external loan: -5,112,816,000

II. From the sale of securities, total: 597 million

including:

1. Proceeds from the auction sale of state short-term treasury bills: 1.5 billion

2. Minus amounts of adjustment, total: -903 million

including:

a) towards liquidation of the 1992 Republic of Kazakhstan State Loan, distributed among juridical persons: -3 million

b) for redemption of the 1992 Republic of Kazakhstan State Internal Lottery Loan (from the populace): -900 million

III. From internal sources of financing, total: 7,285,704,000

including:

1. Remainder of budgetary funding as of the beginning of the year, applied to cover expenditures: 5.658 million

2. Credit resources of the Republic of Kazakhstan National Bank: 8.625 billion

3. Proceeds from enterprises of debt from the results of intra- republic clearing and directive credits: 7,681,156,000

4. Minus amounts of adjustment, total: -9,026,110,000

including:

a) for liquidation of the state internal debt to the Republic of Kazakhstan National Bank: -800 million

b) liquidation of obligations with respect to intra-republic clearing: -6,985,590,000

c) restoration to local budgets of revenues credited in the liquidation of republic budget debts on bills for intra-republic clearing: -1,240,520,000

Working ready cash as of the end of the year: 5.658 million

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